

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER TF057657

Multi-Donor Trust Fund for Aceh and North Sumatra Grant Agreement

**(Infrastructure Reconstruction Financing Facility Project
Additional Financing)**

between

REPUBLIC OF INDONESIA

and

**INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Partner Agency under the Multi-Donor Trust Fund
for Aceh and North Sumatra**

Public Disclosure Authorized

August 13, 2010

GRANT NUMBER TF057657

**MULTI-DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA
GRANT AGREEMENT**

AGREEMENT dated August 13, 2010, entered into between: REPUBLIC OF INDONESIA (“Recipient”); and INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as Partner Agency under the Multi-Donor Trust Fund for Aceh and North Sumatra (“Association”).

WHEREAS, pursuant to a joint resolution of the International Bank for Reconstruction and Development and International Development Association (Resolution No. IBRD-2005-0004 and IDA-2005-0002), a Multi-Donor Trust Fund for Aceh and North Sumatra (“MDF”) has been established to finance a post-earthquake and tsunami emergency rehabilitation and reconstruction program in Indonesia, and the Association has been appointed as Trustee thereof;

WHEREAS, the Recipient and the Association entered into a Grant Agreement (TF057657), dated January 15, 2007, as amended and restated through February 16, 2009 (the “Original Grant Agreement”), for the an Infrastructure Reconstruction Financing Facility program (the “Original Project”) as described in Schedule 1 to the Original Grant Agreement, which was endorsed by the MDF Steering Committee on October 13, 2006;

WHEREAS, the Recipient has developed a proposal for an additional Infrastructure Reconstruction Financing Facility program, which was endorsed by the MDF Steering Committee on April 23, 2010, as described in Schedule 1 to this Agreement (the “Project”);

WHEREAS, the Recipient, having satisfied itself as to the feasibility and priority of the Project, has requested assistance to have the Project funded from the resources of the MDF, in accordance with the provisions of the Resolution;

WHEREAS, the total cost of the Project is expected to be US\$36,700,000, which amount will be financed in full by this Grant, and the Recipient has committed to provide financing from its own resources to cover any shortfall in the funds to complete the Project in the event that the Project is not completed by the Closing Date, it being understood that the MDF will be terminating on December 31, 2012;

NOW THEREFORE the Recipient and the Association hereby agree as follows:

Article I
Standard Conditions; Definitions

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), with the modifications set forth in Section II of 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 Standard Conditions or in this Agreement. Provisions of the Original Grant Agreement which are incorporated by reference herein constitute an integral part of this Agreement and shall remain in full force and effect notwithstanding the closing date of the Original Grant Agreement, which may occur prior to the Closing Date.

Article II
The Project

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project through the DG Highways of MPW in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 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 III
The Grant

- 3.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to thirty six million seven hundred thousand United States Dollars (\$36,700,000) (“Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the Association receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV
Effectiveness; Termination

- 4.01. This Agreement shall not become effective until evidence satisfactory to the Association has been furnished to the Association that each of the conditions specified below have been satisfied: (a) the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized by all necessary governmental action; (b) the MPW shall have adopted the Project Implementation Plan, as revised to reflect the Project, satisfactory to the Recipient and the Association; (c) each of the PMU and PIU shall have been established and staffed with personnel in adequate numbers and with terms of reference satisfactory to the Association and the Recipient; and (d) the Recipient and the Association shall have agreed to extend the closing date of the Original Grant Agreement and the IREP Grant Agreement.
- 4.02. As part of the evidence to be furnished pursuant to Section 4.01(a), there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association or, if the Association so requests, a certificate satisfactory to the Association of a competent official of the Member Country, showing the following matters: on behalf of the Recipient, that this Agreement has been duly authorized by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.
- 4.03. Except as the Recipient and the Association shall otherwise agree, this Agreement shall enter into effect on the date upon which the Association dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the Association to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the Association may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 4.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The Association shall promptly notify the Recipient of such later date.

Article V
Recipient’s Representative; Addresses

- 5.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Recipient’s Minister of Finance.
- 5.02. The Recipient’s Address is:

Ministry of Finance
c/o Directorate General of Debt Management
Jalan Lapangan Banteng Timur 2-4
P.O. Box 1139,

Jakarta 10710, Indonesia

Cable address:
FINMINISTRY
Jakarta

Telex:
45799 DJMLN-IA
44319 DEPKEU-IA

Facsimile:
(21) 381 2859

5.03. The Association's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

AGREED at Jakarta, Republic of Indonesia as of the day and year first above written.

REPUBLIC OF INDONESIA

By

/s/ Rahmat Waluyanto
DG of Debt Management
Authorized Representative

INTERNATIONAL DEVELOPMENT
ASSOCIATION, acting as Partner Agency under the Multi-Donor Trust Fund for
Aceh and North Sumatra

By

/s/ Shubham Chaudhuri
Acting Country Director, Indonesia

SCHEDULE 1

Project Description

The objective of the Project is to reconstruct/rehabilitate strategic infrastructure and to extend key infrastructure services of adequate quality standards that meet the needs of communities where infrastructure was impacted by the tsunami of 2004 and the subsequent earthquake.

The Project consists of:

- (1) Additional Approved Subprojects under Part 1 of the Original Project (Financing of Infrastructure Reconstruction and Rehabilitation Investments); and
- (2) Additional support under Part 2 of the Project (Targeted Support to Infrastructure Subproject Planning, Design, Supervision and Implementation Oversight), including for the following additional activity: (d) Providing support to the PMU for project management and oversight activities.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. PMU

- (a) The Recipient shall establish and maintain, until completion of the Project, the PMU established in the Regional Office of the National Road I (*Balai Besar Pelaksanaan Jalan Nasional I*) of DG Highways of MPW in Medan, to coordinate and oversee implementation of the Project, including procurement practices, Environment and Social Safeguards Framework implementation, fiduciary management, monitoring of Project progress, and posting of monthly reports on the Project Website.
- (b) The PMU shall, except as the Association and the Recipient may otherwise agree, include a head of PMU and be staffed by qualified and experienced personnel, including financial management and procurement staff, in adequate numbers and with terms of reference satisfactory to the Association and the Recipient, and be provided at all times with adequate funds and other resources, as shall be necessary to carry out its responsibilities.
- (c) The PMU shall ensure that adequate project management and construction supervision experts are engaged in the Project at all times under terms of reference agreed in writing between the Recipient and the Association. The PMU shall be responsible for procurement and management of Project Management Consultants, Financial Management Consultants and the Supervision Consultants. The Recipient and the Association may also agree in writing that IREP Supervision Consultants may undertake construction supervision activities for the Project as needed over a time period agreed in writing between the Recipient and the Association.
- (d) The PMU shall undertake coordination with the Government of Aceh during Project implementation.

2. PIU.

- (a) The Recipient shall establish and maintain, until completion of the Project, the PIU established by DG Highways in the Provincial Government Working Unit in Aceh, to undertake day-to-day implementation of the Project.
- (b) The PIU shall, except as the Association and the Recipient may otherwise agree, include a head of PIU and be staffed by qualified and experienced personnel in adequate numbers and with terms of reference satisfactory to the Association and the Recipient, and be provided at all times with adequate funds and other resources, as shall be necessary to carry out its responsibilities.

3. **Project Management Work-Group (*Satker*)**. The Recipient shall ensure that each Additional Approved Subproject is managed by a project management work-group (*Satuan Kerja Perangkat Daerah*) responsible for day-to-day implementation and overseeing civil works contractors. A *Satker* may manage more than one (1) Additional Approved Subproject. Each *Satker* shall be assisted by a Supervision Consultant.
4. **Contract Payment Procedures**. The Recipient shall ensure that the proceeds of the Grant are disbursed in accordance with the procedures set out in the Project Implementation Plan, which shall at all times be satisfactory to the Recipient and the Association. Without limiting the generality of the foregoing and except as the Association may otherwise agree, the Recipient shall ensure that payments to contractors for Additional Approved Subprojects are processed on the basis of contractor invoices reviewed by the Supervision Consultant and Financial Management Consultant and approved by the *Satker* for payment by KPPN to the contractor's bank account, less any retention for guarantees provided in the contract, any advances provided for in the contract and any tax obligations.

B. Implementation of the Project

1. The Additional Approved Subprojects for this Project are listed in the Annex to this Schedule 2.
2. The implementation obligations described in paragraphs 1, 2(a), 2(d), 3, 4, 5, 7, 8, 10, and 13 of Section I.D of Schedule 2 to the Original Grant Agreement are incorporated by reference herein and form an integral part of this Agreement, provided, however, that:
 - (a) the words "Article IV of the General Conditions" where they appear in such paragraph 1 are replaced with the words "Article II of the Standard Conditions";
 - (b) the Project Implementation Plan referred to in such paragraph 2 is understood to be the Project Implementation Plan revised for the purposes of the Additional Financing, satisfactory to the Association and the Recipient;
 - (c) the reference to "IREP IPM Consultants" where it appears in such paragraphs 5 and 8(d) is deleted;
 - (d) the term "applicable IREP Consultants" where it appears in such paragraph 8(b)(i) is replaced with the word "consultant"; and
 - (e) the term "Approved Subprojects" where it appears in such paragraphs shall be understood to be a reference to the Additional Approved Subprojects set out in the Annex to this Schedule 2.
3. The Recipient shall ensure that adequate institutional support and adequate financing from the Recipient's own resources shall be provided beyond the Closing Date, in such amount as is necessary, to ensure that each Additional Approved Subproject is completed in a timely manner and according to the standards set out in this Schedule 2 and the Project Implementation Plan.
4. The Recipient shall establish procurement evaluation committee arrangements, as necessary, in accordance with the Project Implementation Plan.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”) , with the modifications set forth in Section III of the Appendix to this Agreement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The provisions of paragraphs 1(a) and 1(b) of Section II.A of Schedule 2 to the Original Grant Agreement are incorporated by reference herein and form an integral part of this Agreement, provided that:
 - (a) the words “Section 4.08 of the General Conditions” where they appear in such Section are replaced with the words “Section 2.06 of the Standard Conditions”; and
 - (b) the performance indicators in paragraph 1(b) of such Section are amended by adding the following performance indicators:
 - (i) Reduction on travel time from Aceh Jaya District (Calang) to Aceh Barat District (Meulaboh).
 - (ii) Reduction on travel distance and cost from Aceh Jaya District (Calang) to Aceh Barat District (Meulaboh).
 - (iii) Restoration of the devastated environment of the wetlands along some parts of the west Coast Road and around the Kuala Bubon Bridge.
2. The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association for review and comment, on or about March 31, 2011, a mid-term review report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph 1(b) of this Section II.A, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date. The Recipient shall ensure that the Project is implemented in accordance with the recommendations of such mid-term review report for the remainder of the Project implementation period.
3. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The provisions of paragraphs 1, 2, 3 and 4 of Section II.B of Schedule 2 to the Original Grant Agreement are incorporated by reference herein and form an integral part of this Agreement, provided that:
 - (a) the words “Section 4.09 of the General Conditions” where they appear in paragraph 1 are replaced with the words “Section 2.07 of the Standard Conditions”; and
 - (b) the words “Section 4.09(b) of the General Conditions” where they appear in paragraph 3 are replaced with the words “Section 2.07(b) of the Standard Conditions”.

Section III. Procurement

A. General.

1. **Goods, Works and Services other than Consultants’ Services.** All goods, works and services other than 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 Section I of the Procurement Guidelines, and with the provisions of this Schedule.
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 Schedule.
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, Works, and Services other than Consultants’ Services.

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

Procurement Method	
(a)	National Competitive Bidding, subject to the modifications set out in Part F of Section III of Schedule 2 to the Original Grant Agreement
(b)	Direct Contracting
(c)	Shopping

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)	Least Cost Selection
(c)	Single-source Selection
(d)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(e)	Sole Source Procedures for the Selection of Individual Consultants

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the Association may 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 Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed
(1) Goods, works and services other than consultants’ services	33,800,000	100%
(2) Consultants services	2,580,000	100%
(3) Incremental operating costs*	320,000	100%
TOTAL AMOUNT	36, 700,000	

*For the purposes of the table in this Section IV.A, the term “incremental operating costs” means reasonable costs arising under the Project on account of PMU staff travel and per diem; vehicle rental; office equipment; costs related to communication, consumables, web page establishment and maintenance; bidding processing cost, printing and publication of Project information; rental of meeting facilities and other costs for workshops for Project activities; PMU office maintenance, renovation, and utility systems installations including the air-conditioning systems; but excluding salaries and honoraria of officials and staff of the Recipient.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is June 30, 2012.

ANNEX to SCHEDULE 2

Additional Approved Subprojects

This list of Approved Subprojects may be amended from time to time with a separate agreement in writing between the Recipient and the Association.

Approved Subprojects

Reconstruction of the West Coast National Road between Calang and Meulaboh from about Km 198 to Km 247, including the Kuala Bubon Bridge and related waterway, ecological and environmental restoration for:
--

JNB1: Construction of Road: Lueng Gayo – Arongan Lambalek

JNB2: Construction of Road: Arongan Lambalek – Gampong Suak Breuh

JNB3: Construction of Road: Gampong Suak Breuh - Simpang Kisaran/Meulaboh

JNB4: Construction of Kuala Bubon Bridge
--

APPENDIX

Section I Definitions;

A. Application of Definitions to the Original Grant Agreement.

1. The definitions of terms set out in the following paragraphs of Section I to the Appendix to the Original Grant Agreement constitute an integral part of this Agreement, are incorporated by reference herein: 1, 3, 4, 7, 10, 11, 14, 15, 16, 18, 19, 20, 21, 23, 24, 25, 26, 28, 36, 38, 39, 41, 42, 43, and 49.
2. The definitions of terms set out in the following paragraphs of Section I to the Appendix to the Original Grant Agreement are not applicable to the Project and are not incorporated by reference herein: 2, 5, 6, 8, 9, 12, 13, 17, 22, 27, 29, 30, 31, 32, 33, 34, 35, 37, 40, 44, 45, 46, 47, and 48.
3. Reference to “this Agreement” in the provisions referring to paragraphs of the Original Grant Agreement that are incorporated by reference herein from the Original Grant Agreement shall be understood to refer to the Original Grant Agreement. References to “Project” in the provisions that are incorporated by reference herein from the Original Grant Agreement shall be understood to refer to the Project described in Schedule 1 to this Agreement.

B. Additional Definitions Applicable to this Agreement

1. “Additional Approved Subproject” means an Approved Subproject listed in the Annex to Schedule 2 to this Agreement for which a new contract will be procured by the Recipient in accordance with Section III of Schedule 2 to this Agreement, financed by this Grant and implemented in accordance with this Agreement.
2. “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.
3. “Approved Subproject”, for the purposes of this Agreement, means an Additional Approved Subproject.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “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.
6. “Financial Management Consultant” means each consultant for which a contract is to be procured by the Recipient in accordance with Section III of Schedule 2 to this Agreement under terms of reference acceptable to the Recipient and the Association, for the purpose of providing financial management supervision assistance under Part 2 of the Project.
7. “Grant” means the grant in the amount of thirty six million seven hundred thousand United States Dollars (\$36,700,000) to be made available by the Association to the Recipient for the purposes of the Project.

8. “Original Grant” means the grant in the amount of one hundred million Dollars (\$100,000,000) (TF057657) made available to the Recipient pursuant to the Original Grant Agreement.
9. “Original Grant Agreement” means the grant agreement (TF057657), dated January 15, 2007 and amended and restated as of February 16, 2009, for the Infrastructure Reconstruction Financing Facility Project, as such agreement may be amended from time to time.
10. “Original Project” means the Project described in Schedule 1 to the Original Grant Agreement.
11. “Part” means a Part of the Project as described in Schedule 1 to this Agreement.
12. “PIU” means the project implementation unit for the Additional Financing established at the Provincial Government Working Unit in Aceh of the DG Highways of MPW meeting the requirements of paragraph 2 of Section I. A of Schedule 2 to this Agreement.
13. “PMU” means the project management unit for the Additional Financing established by MPW and meeting the requirements of paragraph 1 of Section I. A of Schedule 2 to 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 and May 2010.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 21, 2010, and referred to 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 Plan” means the Project implementation plan, including the Procurement Plan, the Environment and Social Safeguards Framework and the Anticorruption Action Plan, adopted by the Recipient for the Original Project, as defined in the Original Grant Agreement, and as such Project Implementation Plan has been revised to reflect this Project.
17. “Project Management Consultant” means each consultant for which a contract is to be procured by the Recipient in accordance with Section III of Schedule 2 to this Agreement under terms of reference acceptable to the Recipient and the Association, for the purpose of providing support to the PMU under Part 2 of the Project.
18. “Provincial Government Working Unit” means the unit of the DG Highways in Aceh, and any successor thereto.
19. “Regional Office of the National Road I” means the regional office of DG Highways of MPW in Medan (*Balai Besar Pelaksanaan Jalan Nasional I*), and any successor thereto.
20. “Satker” means the working group (*Satuan Kerja Perangkat Daerah*) for the Additional Financing responsible for day-to-day implementation and overseeing civil works contractors as described in paragraph 3 of Section IA of Schedule 2 to this Agreement.
21. “Standard Conditions” means the Standard Conditions for Grants made by the World Bank out of Various Funds, dated July 1, 2008, with the modifications set forth in Section II of this

Appendix. For the purposes of this Agreement, references in the Standard Conditions to the “World Bank” shall be read as references to the “Association”.

22. “Supervision Consultants” means each the consultant for which a contract is to be procured by the Recipient in accordance with Section III of Schedule 2 to this Agreement under terms of reference acceptable to the Recipient and the Association, for the purpose of providing construction supervision assistance under Part 2 of the Project.

Section II. Modifications to the Standard Conditions. The Standard Conditions are modified as follows:

1. The provisions of Section 4.02 (j) of the Standard Conditions are modified to read as follows:

... (j) *Ineligibility.* IBRD or IDA has declared the Recipient (other than the Member Country) ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA, as a result of: (i) a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Recipient 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 Recipient 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.

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.”