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CONFORMED COPY

GRANT NUMBER H5360-BI

Financing Agreement

(Financial and Private Sector Development Project)

between

REPUBLIC OF BURUNDI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 16, 2010

GRANT NUMBER H5360-BI

FINANCING AGREEMENT

AGREEMENT dated February 16, 2010, entered into between the REPUBLIC OF BURUNDI (“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 grant in an amount equivalent to twelve million Special Drawing Rights (SDR 12,000,000) (“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 Payment Dates are April 15 and October 15 in each year.
- 2.05. The Payment Currency is US dollars.

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 its Ministry of Finance 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 OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, that an extraordinary situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE V — EFFECTIVENESS

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, the Recipient has prepared the annual work plan and budget referred to in Section V.B of Schedule 2 to this Agreement for the first year of Project implementation.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. 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 years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the minister of the Recipient at the time responsible for finance.

6.02. The Recipient's Address is:

Ministry of Finance
P.O Box 1830
Bujumbura
Burundi

Telex:

Facsimile:

5135
MINIFINBDI

257-22-22-38-27

6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at Bujumbura, Burundi, as of the day and year first above written.

REPUBLIC OF BURUNDI

By /s/ Clotilde Nizigama

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mercy Miyang Tembon

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the Recipient's financial system and improve its business enabling environment.

The Project consists of the following parts:

1. Modernizing the Financial Sector
 - (a) Strengthening the supervision of commercial banks, financial institutions and microfinance institutions through provision of technical advisory services and training, and capacity building activities.
 - (b) Modernizing the Recipient's payment system through provision of technical advisory services and training, equipment and capacity building activities, with particular emphasis on (i) strengthening of electronic clearing of checks and direct transfers and of a bank card payment system; (ii) acquisition of an electronic clearing system and a Real Time Gross System.
 - (c) Strengthening non-banking financial institutions through provision of technical advisory services, equipment and training, operating costs and capacity building activities, including strengthening and support to the operations and administration of the independent ARCA.
2. Improving Corporate Governance and Performance of Public Enterprises
 - (a) Provision of technical advisory services for the preparation and implementation of measures for the privatization of ONATEL.
 - (b) Preparation and implementation of measures for the completion of the privatization of several Coffee Sector Washing Stations and of coffee hulling and processing plants and complementary measures for the strengthening of the coffee sector, through provision of technical advisory services.

- (c) Provision of technical advisory services for the preparation and implementation of measures for the privatization of the sugar sector and preparation of a strategy for the privatization of the tea sector.
- (d) Privatization of financial institutions and commercial banks through provision of technical advisory services.
- (e) Provision of equipment, technical advisory services and training to strengthen the capacity of SCEP to oversee the processes of privatization of public enterprises and to perform its other mandated functions.

3. Improving the Regulatory Environment for Private Sector Enterprises

- (a) Improving the legal and regulatory framework for the private sector through provision of technical advisory services to prepare draft regulations, and to review and to amend existing laws and regulations, along with provision of technical advisory services and training, capacity building programs and financing of operating costs for the benefit of Participating Institutions.
- (b) Strengthening the accounting profession through provision of technical advisory services and training, and capacity building activities, including a twinning program for the benefit of the Professional Accountancy Body.
- (c) Promoting private sector development and regional integration through technical advisory services, capacity building and training to promote public-private dialogue and to strengthen private and public enterprises.

4. Project Implementation

- (a) Provision of support for Project management, implementation, and monitoring and evaluation, including administrative and financial management, procurement, reporting, preparation of audits, public relations and disbursement.

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

1. The Recipient shall maintain throughout Project implementation, the PSC, with mandate and composition acceptable to the Association, to be responsible for the overall oversight of the Project and, as such, to ensure that Project activities are implemented in a manner consistent with the development objective of the Project in accordance with the provisions of this Agreement and the PIM.

Technical Committee

2. The TC shall be composed of technical representatives from the Participating Institutions and other members as specified in the PIM. The TC shall have those responsibilities specified in the PIM, including but not limited to: (a) providing technical follow-up of the implementation of the Project; (b) serving as a link between the PSC and the PCU through maintenance of a regular dialogue with and provision of technical advice as needed to both; and (c) evaluating the annual budget of the Project before its consideration by the PSC.

Project Coordination Unit

3. The Recipient shall maintain throughout Project implementation, the PCU, which shall be under the supervision of the Ministry of Finance and shall be headed by a Project Coordinator who shall be assisted by suitably qualified and experienced staff in adequate numbers, including a procurement specialist, a private sector specialist and an accountant.
4. The PCU shall be responsible for the overall management of financial resources, accounting, procurement and reporting of the Project, in accordance with the provisions of this Agreement and the PIM. The PCU shall also provide technical expertise to the Participating Institutions, especially in the areas of procurement, disbursement, accounting and monitoring and evaluation.

Participating Institutions

5. The Participating Institutions shall be responsible for technical implementation of the Project in accordance with the PIM, including but not limited to the following:
 - (a) the BRB in conjunction with beneficiary agencies and institutions with respect to Part 1(a) and Part 1(b) of the Project.
 - (b) the Ministry of Finance in conjunction with beneficiary agencies and institutions with respect to Part 1(c) of the Project.
 - (c) the Ministry of Good Governance and Privatization in conjunction with beneficiary agencies and institutions with respect to Part 2 of the Project.
 - (d) the Ministry of Commerce, Industry and Tourism in conjunction with beneficiary agencies and institutions with respect to Part 3 of the Project. The Ministry of Justice will work closely with the Ministry of Commerce, Industry and Tourism for the preparation of drafts or revisions of relevant laws and accompanying regulations.

B. Anti-Corruption

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

C. Manual

1. The Recipient shall: (i) ensure that the Project is carried out in accordance with the PIM; and (ii) except as the Association shall otherwise agree, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waive, the aforementioned, or any provision thereof.
2. In the event of any conflict between the provisions of the PIM and those of this Agreement, the latter shall prevail.

D. Safeguards

1. The Recipient shall ensure that, in the preparation of the documentation for the sale of any public enterprise under Part 2 of the Project, due attention will be given to social and environmental safeguards requirements, including, without limitation, those under the laws of the Recipient, and appropriate provision will be made to that effect in said documentation.
2. The Recipient shall ensure that, in the drafting of any regulations pertaining to mining under Part 3(a) of the Project, due attention will be given to social and environmental safeguards requirements, including, without limitation, those under the laws of the Recipient, and appropriate provision will be made to that effect in said regulations.
3. Following the preparation by the Recipient of its Environmental and Social Mitigation Framework, the Recipient shall ensure that the provisions of said Environmental and Social Mitigation Framework are duly performed in a timely manner.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of six months, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) The percentage of commercial banks and insurance complying with Prudential Norms has increased.
 - (ii) The Recipient's share of ownership of asset value of selected public enterprises has decreased.

- (iii) The time to clear checks has decreased.
 - (iv) The number of days to start a business has decreased as measured by the Doing Business indicators.
- 2. 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 August 31, 2014.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.
- 3. The Recipient shall have its Financial Statements 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 fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.
- 4. To this end, the Recipient shall, no later than three (3) months after the Effective Date, appoint, in accordance with the provisions of Section III of this Schedule, external financial auditors, with qualifications, experience, and terms of reference satisfactory to the Association.

Section III. Procurement

A. General

- 1. **Goods.** All goods 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

- 1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

- 2. **Other Methods of Procurement of Goods.** 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:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants’ Services

- 1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

- 2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies 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) Consultants’ Qualifications
(b) Least Cost Selection
(c) Selection of Individual Consultants
(d) Single Source Selection

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to (a) repay the Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) to finance Eligible Expenditures as set for 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, consultants' services (including for audits), and Training for the Project excluding Part 1(b)(ii)	9,300,000	100%
(2) (a) Goods, consultants' services and Training for Part 1(b)(ii) of the Project – first installment	650,000	100%
(b) Goods, consultants' services and Training for Part 1(b)(ii) of the Project – second installment	650,000	100%
(3) Operating Costs	400,000	100%
(4) Refund of Preparation Advance	800,000	Amount payable pursuant to Section 2.07 of the General Conditions
(5) Unallocated	200,000	
TOTAL AMOUNT	12,000,000	

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 \$400,000 equivalent may be made for payments made prior to this date but on or after June 1, 2009, for Eligible Expenditures under Categories (1) and (3); and
 - (b) for any amount under Category (2)(a) unless the Recipient has complied with the conditions set out in Section V.A(b)(i) of this Schedule.

- (c) for any amount under Category (2)(b) unless the Recipient has complied with the conditions set out in Section V.A(b)(ii) of this Schedule.

2. The Closing Date is February 28, 2014.

Section V. Other Undertakings

A. Counterpart Funding

Except as the Recipient and the Association shall otherwise agree, the Recipient shall:

- (a) open and maintain, throughout Project implementation, on terms and conditions satisfactory to the Association, a Counterpart Fund Account for the deposit of its Counterpart Contribution.
- (b) deposit into the Counterpart Fund Account: (i) a first amount of US\$ 500,000 equivalent into the Counterpart Fund Account no later than June 15, 2011; and (ii) a second amount of US\$ 500,000 equivalent no later than June 15, 2012 or such other amounts as may be required and agreed to by the Association for the purposes of defraying the Recipient's Counterpart Contribution.
- (c) ensure that the funds deposited into the Counterpart Fund Account in accordance with the provisions of subparagraph (b) of this Part A are used exclusively to finance expenditures under Part 1(b)(ii) of the Project.

B. Annual Work Plans and Budgets

The Recipient shall furnish to the Association, for its review and comments, as soon as available, but in any case not later than October 31 of each year, the annual work plan and budget for the Project for each and subsequent years of Project implementation, of such scope and detail as the Association shall have reasonably requested.

C. Midterm Review

The Recipient shall:

- (a) carry out jointly with the Association, no later than 24 months after the Effective Date, a midterm review to assess the status of Project implementation, as measured against the performance indicators referred to in Section II.A.1(b) of Schedule 2 to this Agreement. Such review shall include an assessment of the following: (i) overall progress in Project implementation; (ii) results of monitoring and evaluation activities; (iii) annual work plans and budgets; (iv) progress on procurement and disbursement; and (v) Project implementation arrangements; and make adjustments to the Project and reallocate funds to improve performance, if needed;
- (b) prepare and furnish to the Association, one (1) month before such review, a report, in scope and detail satisfactory to the Association, needed to undertake the review, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section on the progress achieved in the carrying out of the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and
- (c) review, jointly with the Association, the report referred to in paragraph (b) of this Section and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

D. Privatization of Public Enterprises

In relation to the provision of technical advisory services for the privatization of any of the Recipient's public enterprises under the Project, the Recipient shall ensure that due regard is paid to the applicable laws of the Recipient related, but not limited, to labor, employment, social action plans and collective agreements.

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. “ARCA” (*Agence de Régulation et de Contrôle des Assurances*) means the Recipient’s insurance regulatory agency organized and operating according to the Recipient’s decree *Décret N°100/121 du 27 octobre 2001* of October 27, 2007.
3. “BRB” (*Banque de la République de Burundi*) means the Recipient’s central bank operating pursuant to the Recipient’s law *Loi du N° 1/34 du 02 décembre 2008* of December 2, 2008.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Coffee Sector Washing Station” means an enterprise the purpose of which is to wash raw coffee beans primarily through the operation of small mill with grates on which the raw coffee beans are sprayed with water and washed several times.
6. “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.
7. “Counterpart Contribution” means the amount corresponding to the Recipient’s share of the costs of the electronic clearing system that will not be financed out of the proceeds of the Financing.
8. “Counterpart Fund Account” means the Recipient’s bank account maintained with the BRB as defined heretofore with such uses and purposes set forth in Section V.A of Schedule 2 to this Agreement.
9. “Doing Business” means the report of the World Bank published on an annual basis which provides a quantitative measure of regulations for starting a business, dealing with construction permits, employing workers, registering property,

getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business, as they apply to domestic small and medium-size enterprises.

10. “Environmental and Social Mitigation Framework” means the Recipient’s framework, referred to in Section I.D.3 of Schedule 2 to this Agreement, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to said Framework.
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. “Ministry of Commerce, Industry and Tourism” (*Ministère du commerce, de l’industrie et du tourisme*) means the Recipient’s ministry at the time responsible for commerce.
13. “Ministry of Finance” (*Ministère des finances*) means the Recipient’s ministry at the time responsible for finance.
14. “Ministry of Good Governance and Privatization” (*Ministère à la Présidence Chargé de la Bonne Gouvernance et de la Privatisation*) means the Recipient’s ministry at the time responsible for the privatization of public enterprises.
15. “Ministry of Justice” (*Ministère de la Justice*) means the Recipient’s ministry at the time responsible for the administration of justice.
16. “ONATEL” (*Office National des Télécommunications*) means the Recipient’s publicly-owned enterprise in charge of the provision of telecommunications services in the Recipient, created and operating pursuant to the Recipient’s decree *Décret n°100/146 du 8 Novembre 1979* of November 8, 1979.
17. “Operating Costs” means the operating costs of the Project Coordination Unit and the Participating Institutions on the basis of the annual work plans and budgets referred to in Section V.B of Schedule 2 to this Agreement and financed under the Project and attributable to *per diem*, supervision cost and salaries of locally recruited staff, office and equipment maintenance, and rental expenses, and excluding salaries, bonuses, and fees for government civil servants.

18. “Participating Institution” means any one (1) of the institutions referred to in Section I.A.5 of Schedule 2 of this Agreement, and “Participating Institutions” means two (2) or more of said institutions.
19. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on March 27, 2009 and on behalf of the Recipient on April 10, 2009.
20. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
21. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 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.
22. “Professional Accountancy Body” means the *Ordre des Professionnels Comptables du Burundi*, the professional association for accountants in the Recipient, having as its mission to ensure the organization and promotion of the accounting profession, to protect the interests of its members and the public and to defend the independence and ethics of that profession.
23. “Program” means the Recipient’s program designed to address financial and private sector development policy and set forth or referred to in the letter dated November 16, 2009 from the Recipient to the Association.
24. “Project Coordination Unit” or “PCU” means the Recipients entity referred to in Section I.A.3 of Schedule 2 of this Agreement.
25. “Project Implementation Manual” or “PIM” means the Recipient’s manual, dated September 16, 2009, agreed with the Association and setting out implementation, organizational, administrative, monitoring and evaluation, environmental and social monitoring and mitigation, financial management, disbursement, and procurement arrangements for purposes of Project implementation, as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such Manual.
26. “Project Steering Committee” or “PSC” means Recipient’s entity referred to in Section I.A.1 of Schedule 2 of this Agreement.

27. “Prudential Norms” means liquidity and solvency norms for commercial banks contained in the *Core Principles for Effective Banking Supervision*, as published by the Basel Committee on Banking Supervision in October 2006 and revised from time to time, and solvency and asset coverage norms for insurance companies contained in the *Insurance Core Principles and Methodology*, as adopted by the International Association of Insurance Supervisors in October 2003 and revised from time to time.
28. “Real Time Gross System” means a funds transfer mechanism where transfer of money transactions from one bank to another are settled as soon as they are processed without bunching with any other transaction.
29. “SCEP” (*Service Chargé des Entreprises Publiques*) means the Recipient’s entity within the Recipient’s Ministry of Governance and Privatization created pursuant to the Recipient’s decree *Décret n°100/48/86 du 10 juillet 1986* of July 10, 1986 or any successor thereto.
30. “Technical Committee” or “TC” means Recipient’s entity referred to in Section I.A.2 of Schedule 2 of this Agreement.
31. “Training” means the cost of training financed under the Project and attributable to seminars, workshops, and study tours, along with the cost of travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

Section II. Modifications to the General Conditions

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

1. 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. 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.”