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CONFORMED COPY

CREDIT NUMBER 4748-TZ

# Financing Agreement

(Secondary Education Development Program-II APL 1 Project)

between

UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 11, 2010

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Public Disclosure Authorized

**CREDIT NUMBER 4748-TZ**

**FINANCING AGREEMENT**

AGREEMENT dated June 11, 2010, entered into between UNITED REPUBLIC OF TANZANIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

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

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to ninety eight million eight hundred thousand Special Drawing Rights (SDR 98,800,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement.
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objective of the Project and the Program. To this end, the Recipient shall carry out the Project through the MoEVT and PMO-RALG 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 SEDP-II has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient to perform any of its obligations under this Agreement.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) the Operational Manual has been adopted in a manner satisfactory to the Association;
  - (b) an accountant for each the MoEVT and PMO-RALG has been appointed in a manner satisfactory to the Association; and
  - (c) the SEDP-II has been approved by the Recipient in a manner satisfactory to the Association.
- 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 its Minister responsible for finance.

6.02. The Recipient's Address is:

Ministry of Finance and Economic Affairs  
P.O. Box 9111  
Dar es Salaam  
United Republic of Tanzania

Facsimile:

(255) 222 11 77 90

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

248423 (MCI)

1-202-477-6391

Washington, D.C.

AGREED at Dar es Salaam, United Republic of Tanzania as of the date first above written.

UNITED REPUBLIC OF TANZANIA

By

/s/ Ramadhani M. Khijjah  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ John Murray McIntire  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to support the Recipient's effort to improve the quality of its secondary education with a focus on underserved areas.

The Project constitutes the first phase of the Program, and consists of the following parts:

#### **Part A: Upgrading existing schools infrastructure**

Increase the number of existing Schools meeting minimum infrastructure requirements, moving them towards becoming fully functional, including construction and rehabilitation works and associated support for supervision of works and furnishing of: (i) classrooms; (ii) science laboratories; (iii) teachers residences; (iv) latrines; (v) water supply; and (vi) electricity supply (through the grid or solar power).

#### **Part B: Improving the equitable provision of teachers and quality of teaching in mathematics, sciences and languages**

Deployment of teachers to rural areas and improvement in mathematics, sciences and languages instruction and teacher practices, as follows:

- (i) Improve equity in the distribution of teachers by providing a package of incentives for teachers for taking up posts in hard to reach locations and Schools consisting of: (a) a one off settling-in allowance; and (b) housing.
- (ii) Enhance the quality of instruction in mathematics, sciences and languages, including through: (a) monitoring and regulation of teacher supply; (b) providing enhanced science teaching facilities at teacher education institutions; and (c) providing a bridging course for new entrants to science teacher training.
- (iii) Improve teaching delivery through attendance management, in-service teacher training and continuous professional development, management training for heads of Schools and a certification study to develop a roadmap for the professionalization of School teachers.

Part C: Ensure adequate financing to Schools and improving utilization of resources

Ensure that resources to Schools are provided adequately, disbursed in a timely manner and monitored effectively to achieve a 1:1 student-textbook ratio, as follows:

- (i) Support Schools for the purchase of teaching and learning materials.
- (ii) Carry out capacity building activities for LGAs and Schools staff to enable them to manage resources allocated to Part C of the Project and for monitoring their use.
- (iii) Evaluate the use of the resources allocated to Part C of the Project to draw lessons for improved school management, planning, and accountability.

Part D: Capacity building and technical assistance to implement reforms

Strengthen institutional capacity for education management, as follows:

- (i) Expand the education management information system (EMIS).
- (ii) Strengthen the institutional capacity of the Recipient's Education Sector Agencies and of the staff of MoEVT and PMO-RALG to deliver quality education.
- (iii) Evaluate text-book management and strengthen institutional capacity of relevant agencies for cost effective textbook provision, procurement and regulation.
- (iv) Provide operating costs for the efficient implementation, monitoring and evaluation of the Project.

## SCHEDULE 2

### Project Execution

#### Section I. Institutional and Implementation Arrangements

##### A. Institutional Arrangements

##### 1. MoEVT and PMO-RALG

- (a) The MoEVT shall have the overall responsibility for the implementation of the Project.
- (b) The Recipient shall ensure that Parts B and D of the Project be implemented by the MoEVT and Parts A and C of the Project by PMO-RALG through the LGAs.
- (c) The Recipient shall ensure that the MoEVT, in particular its Directorate for Secondary Education, and the PMO-RALG, in particular its Directorate of Education, are maintained at all times during the implementation of the Project with mandate, staffing and resources satisfactory to the Association and each including a procurement management unit; a chief accountant; and a department of policy and planning for the purpose of ensuring the prompt and efficient overall coordination, monitoring, reporting, evaluation and communication of Project activities.

##### 2. Project Coordination Team

- (a) Without limitation upon the provisions of paragraph A.1 of this Section, the Recipient shall maintain, at all times until the completion of the Project, the Project Coordination Team (PCT) formed by the Director of Secondary Education, MoEVT and the Director of Education, PMO-RALG, with a composition, mandate and resources satisfactory to the Association.
- (b) Without limitation to sub-paragraph (a) of this paragraph, the PCT shall have the overall responsibility for, *inter alia*: consolidating the Annual Work Plans and Budgets and submitting them to the ESDC; monitoring the implementation of the resources allocated under Part C of the Project; ensuring compliance with the measures set forth in the ESMF, and in the Operational Manual; and undertaking day-to-day management and administration of the Project.

3. ESDC

- (a) The Recipient shall maintain at all times during the implementation of the Project, the Education Sector Development Committee (ESDC) with a composition, mandate and resources satisfactory to the Association.
- (b) Without limitation to sub-paragraph (a) of this paragraph, ESDC shall be responsible for monitoring the overall strategic direction of the secondary education subsector, and assessing alignment with and progress towards national goals, approving the Annual Work Plans and Budgets, reviewing Program progress and verifying that the Project objectives are being met, advising MoEVT and PMO-RALG on the proper implementation of the Project to ensure that eventual issues transcending MoEVT and PMO-RALG responsibilities arising during implementation are addressed and resolved in a timely manner, providing comments on reports and reviews for the benefit of the Association and advising MoEVT and PMO-RALG on other priority issues related to secondary education subsector management and financing.

4. Local Government Authority

- (a) The Recipient shall maintain at all times during the implementation of the Project each Local Government Authority (LGA) with a composition, mandate and resources satisfactory to the Association.
- (b) Without limitation to sub-paragraph (a) of this paragraph, each LGA shall be responsible *inter alia* for: (i) consolidating Annual Work Plans and Budgets from all Schools to access funds under the Project, including progress and accountability reports that account for previous disbursed/advanced funds; (ii) submitting audited financial reports to PMO-RALG within five months after the end of each Fiscal Year; (iii) displaying the details of the funds from the Credit and from the Recipient's counterpart funds received from the MoFEA in the local newspapers along with the budget and accounts of the relevant School; (iv) maintaining a bank account in which the Recipient's local counterpart funds will be deposited and ensuring that the procurement plans, prepared by the Schools are submitted to the PMO-RALG; (v) ensuring that yearly implementation and procurement plans are prepared by the Schools; (vi) monitoring implementation activities to be carried out by the Schools, in accordance with their respective Annual Work Plan and Budget; and (vii) ensuring that procurement is carried out in a timely fashion, in accordance with the Operational Manual and the Guidelines and this Agreement, as applicable.



6. Educational Materials Approval Committee (EMAC)

- (a) The Recipient shall maintain at all times during the implementation of the Project the Educational Materials Approval Committee (EMAC) with a composition, mandate and resources satisfactory to the Association.
- (b) Without limitation to sub-paragraph (a) of this paragraph, the EMAC shall be responsible for managing the evaluation of textbooks and other instructional materials submitted by publishers and ensuring compliance with curricular, educational and manufacturing standards set by the MoEVT.

**B. Implementation Arrangements**

1. Operational Manual and Guidelines

- (a) Without limitation of the provisions of Section 3.01 of this Agreement, the Recipient shall carry out the Project in accordance with: (a) an operational manual for the implementation of the Project with the exception of Part C(i) of the Project (the Operational Manual); and (b) guidelines for the implementation of Part C(i) of the Project (the Guidelines), both satisfactory to the Association.
- (b) Except as the Association shall otherwise agree, the Recipient shall not amend, waive or fail to enforce the Operational Manual and the Guidelines, or any provision thereof. In case of any conflict between the provisions of this Agreement and those of the Operational Manual and the Guidelines, the provisions of this Agreement shall prevail.

2. Annual Work Plans and Budgets

The Recipient shall prepare and furnish to the Association for its approval, not later than June 15 of each year during the implementation of the Project, or such later date as the Association may agree, the Annual Work Plans and Budgets containing all activities to be carried out in the following Fiscal Year, modified in a manner satisfactory to the Association, taking into account the Association's comments and views on the matter.

**C. Anti-Corruption**

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

**E. Environmental and Social Safeguards**

1. The Recipient shall carry out the Project in accordance with the environmental, guidelines, rules and procedures defined in the Environmental and Social Management Framework.
2. The Recipient shall not amend or waive, or permit to be amended or waived, the ESMF, or any provision thereof, without the prior consent of the Association.
3. The Recipient shall ensure that: (i) all measures for carrying out the ESMF are taken in a timely manner; and (ii) the Project Reports referred to in Section II.A of this Schedule shall include adequate information on monitoring the measures defined in the ESMF.

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

**A. Project Reports**

1. 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 indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
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 June 30, 2015.

**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 not later than forty five days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have 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. 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.

**Section III. Procurement**

**A. General**

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

**B. Particular Methods of Procurement of Goods and Works**

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

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

3. **Additional Provisions governing National Competitive Bidding referred to in paragraph B.2(a) of this Section**

National Competitive Bidding for goods and works shall be subject to the following:

- (a) In accordance with paragraph 1.14(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that: (i) the bidders, suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records related to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to an obstructive practice as defined in paragraph 1.14(a)(v) of the Procurement Guidelines.
- (b) There shall be no preference accorded to domestic suppliers and contractors.

**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.

<b>Procurement Method</b>	
(a)	Selection Based on the Consultants' Qualifications
(b)	Selection under a Fixed Budget
(c)	Quality-Based Selection
(d)	Selection of Individual Consultants
(e)	Single-Source Selection
(f)	Least Cost 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 finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Credit (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (including taxes)</b>
(1) Works, goods and consultants' services under Part A of the Project	51,600,000	Such percentage as the Association shall determine and communicate to the Recipient in its Annual Confirmation for the relevant agreed Annual Work Plan and Budget
(2) Goods under Part C.(i) of the Project	24,000,000	Such percentage as the Association shall determine and communicate to the Recipient in its Annual Confirmation for the relevant agreed Annual Work Plan and Budget
(3) Goods, works, consultants' services, Training and Operating Costs under Parts B, C (ii) and (iii) and D of the Project	23,200,000	100%
<b>TOTAL</b>	<b>98,800,000</b>	

**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; or
  - (b) in respect of any payment under Category 2 unless the Guidelines are disseminated to all Schools by LGAs and evidence thereof is provided to the Association in a manner satisfactory to the Association.
  
2. The Closing Date is December 31, 2015.

**Section V. Other Undertakings**

A. The Recipient shall:

- (a) Provide to the Association by no later than May 31 of each calendar year during the implementation of the Project, a letter issued by the Recipient's Minister of Finance and Economic Affairs certifying that adequate funds have been allocated for the Project for the next Fiscal Year of Project implementation in respect of the activities reflected in the Annual Work Program and Budget for the period starting on July 1 of that year.
- (b) Provide to the Association, by no later than July 31, 2011, a letter issued by the Recipient's Minister of Finance and Economic Affairs certifying that a circular has been adopted establishing a minimum agreed standard for school construction and rehabilitation and that it is applicable to all LGAs irrespective of source of financing.
- (c) Carry out, by no later than July 31, 2011, a unit cost study to determine the appropriate amount of resources to be transferred to Schools to support student teaching and learning under SEDP-II.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each March 15 and September 15:	
commencing September 15, 2020, to and including March 15, 2030	1%
commencing September 15, 2030, to and including March 15, 2050	2%

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.



## APPENDIX

### Section I. Definitions

1. “Annual Confirmation” means for each agreed Annual Work Plan and Budget (as defined here below), the Association’s written confirmation of: (i) its agreement with such Annual Work Plan and Budget; and (ii) the percentage and amount of the Eligible Expenditures under the agreed Annual Work Plan and Budget which may be financed out of the proceeds of the Financing in respect of Categories 1 and 2, of the Table in paragraph under Section IV.A.2 of Schedule 2 of this Agreement, as applicable.
2. “Annual Work Plan and Budget” means the work plan and budget prepared annually for the Project, in accordance with Section I.B.2 of Schedule 2 to this Agreement.
3. “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.
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 Recipients” published by the Bank in May 2004 and revised in October 2006.
6. “Education Sector Agencies” means the Recipient’s Agency for the Development of Education Management, Tanzania Institute of Education, the National Examinations Council of Tanzania and the Educational Materials Approval Committee.
7. “Environment and Social Management Framework” or “ESMF” means the Recipient’s framework dated March 17, 2010, that includes the set of mitigation, enhancement, monitoring, and institutional measures, to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts, as such framework may be amended from time to time with the prior written consent of the Association.
8. “ESDC” means the Recipient’s Education Sector Development Committee referred to in Section I.A.3 of Schedule 2 to this Agreement.
9. “Fiscal Year” is the Recipient’s fiscal year from July 1 through June 30 of each calendar year.

10. “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.
11. “Guidelines” means the guidelines referred to in Section I.B.1 (a) of Schedule 2 of this Agreement for the implementation of Part C.(i) of the Project, which are an integral part of the Operational Manual (defined here below), satisfactory to the Association, which shall contain, *inter alia*: (i) the criteria, detailed rules and procedures for the implementation of Part C.(i) of the Project; (ii) the indicators to be used in the monitoring and evaluation of Part C.(i) of the Project; and (iii) the modalities and frequency of transfers of amounts under Part C.(i) of the Project.
12. “Local Government Authority” or “LGA” means any local authority within the Recipient’s territory.
13. “MoEVT” means the Recipient’s Ministry of Education and Vocational Training.
14. “MoFEA” means the Recipient’s Ministry of Finance and Economic Affairs.
15. “Operating Costs” means the costs, which would not exist in the absence of the Project, incurred on account of the implementation of the Project, and on the basis of approved Annual Work Plan and Budget for the Project, including office machines and equipment maintenance; operation and maintenance costs for vehicles, office supplies, consumables, settling-in allowances under Part B(i)(a) of the Project, travel costs, travel per diems, and accommodation, but excluding salaries of the Recipient’s civil servants.
16. “Operational Manual” means the Recipient’s manual, adopted pursuant to Section I.B.1(a) of Schedule 2 to this Agreement, containing or referring to detailed arrangements and procedures for implementation of the Project, including in relation to: (i) day-to-day execution of the of the Project; (ii) the Guidelines for implementation of Part C.(i) of the Project; (iii) criteria for selection of schools to benefit from the activities under Part A of the Project; (iv) disbursement and financial management; (v) procurement; (vi) monitoring, evaluation, and reporting; (vii) procedures, measures and guidelines for environmental management and implementation of the ESMF; and (viii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project , as such manual may be amended by the Recipient from time to time with the prior agreement of the Association.
17. “PMO-RALG” means the Recipient’s Prime Minister’s Office-Regional Administration and Local Government.

18. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
19. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 14, 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.
20. “Program” means the program designed to improve and strengthen the Recipient’s secondary education system through reforms to improve learning effectiveness among secondary students aiming to build a high quality, productive and adaptive labor force, and set forth or referred to in the letter dated April 23, 2010, from the Recipient to the Association.
21. “Secondary Education Development Program Phase II” or “SEDP-II” means the Recipient’s secondary education program for 2010-2015, including the provision of capitation grants to Schools (as defined here below), decentralizing administration and management of secondary education from the MoEVT to the LGAs.
22. “School” means any public secondary school within the Recipient’s territory.
23. “Training” means the costs associated with the training of personnel involved in Project supported activities under the Project, including travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs 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. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

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

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

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

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