

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4657-KG
GRANT NUMBER H519-KG

Financing Agreement

(Additional Financing for Second Village Investment Project)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 18, 2010

**CREDIT NUMBER 4657-KG
GRANT NUMBER H519-KG**

FINANCING AGREEMENT

Agreement dated January 18, 2010, entered into between KYRGYZ REPUBLIC (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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, the Original Financing Agreement, or this Agreement.
- 1.03. The Original Financing Agreement is amended as set out in Section II of 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 and a credit (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
 - (a) an amount equivalent to two million three hundred thousand Special Drawing Rights (SDR 2,300,000) (“Grant”); and
 - (b) an amount equivalent to two million nine hundred thousand Special Drawing Rights (SDR 2,900,000) (“Credit”).
- 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

- 2.04. 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 US Dollars.

ARTICLE III - PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 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 are 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 the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Events of Acceleration consist of the following, namely, that an event specified in Section 4.01 of this Agreement occurs.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
- 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 Finance.

6.02. The Recipient's Address is:

Ministry of Finance
58 Erkindik Blvd.
Bishkek City, 720040
Kyrgyz Republic

Telex:

245-156 NUR KH

Facsimile:

(996-312) 661645

6.03. The Association's Address is:

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

Cable:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI)

Facsimile:

1-202-477-6391

AGREED at Bishkek, Kyrgyz Republic, as of the day and year first above written.

KYRGYZ REPUBLIC

By /s/ Marat Sultanov

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Roger J. Robinson

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to assist the Recipient with: (a) improving governance and capacity at the local level; (b) strengthening the provision of, and access to, essential infrastructure services; and (c) supporting private group-owned small-scale enterprise development.

The Project consists of the Original Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain the Project Implementing Entity until completion of the Project with staff, resources and terms of reference satisfactory to the Association.

2. The Recipient shall not amend or cause the Project Implementing Entity to amend the Project Implementing Entity's Legislation without prior approval by the Association, and shall assign to the Project Implementing Entity the responsibility for overall Project management and coordination, including, *inter alia*:

(a) preparation of withdrawal applications under the Financing;

(b) maintenance of records and accounts related to the Project and arranging for the audit thereof;

(c) participation in administration of bidding procedures and of contracts under the Project; and

(d) preparation of quarterly Project Reports pursuant to paragraph A of Section II of this Schedule.

3. The Recipient shall, and shall cause the Project Implementing Entity to, implement the Project in accordance with the provisions of the Operational Manual. Except as the Association shall otherwise agree, the Recipient or the Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provision of said Manual, if, in the opinion of the Association, such amendment or waiver may materially affect the carrying out of the Project or the achievement of the Project objectives.

4. The Recipient shall ensure that the Project Implementing Entity maintains the Operational Manual and that said Manual covers, *inter alia*, the following matters: (a) eligibility criteria for Community grants and Micro-projects; (b) the principles and procedures to be followed for the approval of Community grants and Micro-projects; (c) regional allocation of the Financing; (d) community contribution requirements for Micro-projects; and (e) the indicators to be utilized by the Project Implementing Entity in monitoring the progress of the Project.

5. The Recipient shall cause the Project Implementing Entity to: (i) contract an independent engineering firm to carry out a review and evaluation of completed Micro-

projects; and (ii) establish a list of Micro-projects that have not been performing well, including those that have structural deficiencies requiring corrective action.

6. The Recipient shall: (i) take all actions, including ensuring the provision of funds, facilities, services, and other resources, necessary or appropriate for the carrying out of the Project by the Project Implementing Entity; and (ii) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a Subsidiary Agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not amend, assign, suspend, abrogate, repeal or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

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

D. Micro-projects

1. The Recipient shall cause the Project Implementing Entity to make Community-Grants to Beneficiaries in accordance with eligibility criteria and procedures acceptable to the Association, which shall include the eligibility criteria, procedures, and terms and conditions set forth or referred to in the Operational Manual.

2. The Recipient shall cause the Project Implementing Entity to enter into a Community-Grant Agreement with each Beneficiary when making a Community-Grant on terms and conditions approved by the Association, which shall include the following:

(a) The Community-Grant shall be denominated in Kyrgyz soms.

(b) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Community-Grant, or obtain a refund of all or any part of the amount of the Community-Grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Community-Grant Agreement; and (ii) require each Beneficiary to: (A) carry out its Micro-project with due diligence and

efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines, EMP, the Land Acquisition Policy Framework and the relevant Land Acquisition Plan(s); (B) provide, promptly as needed, the resources required for the purpose of the Micro-projects; (C) procure the goods, works and services to be financed out of the Community-Grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Micro-project and the achievement of its objectives; (E): (1) maintain a financial management system and to prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Micro-project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (F) enable the Recipient and the Association to inspect the Micro-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

E. Safeguards

1. The Recipient shall, and shall cause the Project Implementing Entity to, carry out the Project in accordance with the provisions of EMP, the Land Acquisition Policy Framework and the relevant Land Acquisition Plans.
2. The Recipient or the Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provisions of EMP, the Land Acquisition Policy Framework or the Land Acquisition Plan(s) without prior approval of the Association.
3. No Micro-project involving land acquisition and/or resettlement shall be undertaken unless the Project Implementing Entity shall have first prepared a Land Acquisition Plan in relation to said Micro-project, in form and substance satisfactory to the Association and in accordance with the provisions set forth in the Land Acquisition Policy Framework.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and to prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover a calendar quarter and shall be

furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

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 cause the Project Implementing Entity to prepare and furnish the Recipient, for inclusion in the Project Report, not later than forty-five (45) days after the end of each calendar quarter, with interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause the Project Implementing Entity to have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

4. The Recipient will have the internal control framework, processes and procedures followed under the Project, audited for each fiscal year (or other period agreed to by the Association), in accordance with terms of reference and by independent auditors both acceptable to the Association.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

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

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method	
(a)	National Competitive Bidding is subject to the following provisions: <ol style="list-style-type: none">1. The eligibility of bidders shall be as defined under Section I of the Guidelines Procurement under IBRD Loans and IDA credits; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Guidelines Procurement under IBRD Loans and IDA credits. Exclusion from participation as a result of debarment should result from violation of clearly identified grounds of misconduct and in accordance with a fair and transparent process.2. Procuring entities shall use the appropriate standard bidding documents acceptable to the Association.3. An extension of bid validity, if justified by exceptional circumstances, shall be requested in writing from all bidders before the expiration date and for a minimum period required to complete the evaluation or award contract.4. No national preferences may be applied on the basis of the origin of products or labor.5. Entities in which the State owns a majority shareholding shall not be invited to participate in tenders for the Government unless they are and can be shown to be legally and financially autonomous and they operate under commercial law.6. Pre-qualification shall be conducted for large works contracts and shall be applied upon the Association's agreement;7. The pre- and post- qualification criteria shall only pertain to past

Procurement Method	
	contract performance, financial, managerial and technical capabilities of bidders.
8.	Joint venture partners shall be jointly and severally liable for their obligations.
9.	State unit costs shall not be used for contract budgeting and evaluation for civil works contracts.
10.	Bids shall be opened in public, immediately after the deadline for their submission. No bids can be rejected at bid opening and under the circumstances referred to Article 6 of the Recipient's Public Procurement Law.
11.	No bids shall be rejected solely because they exceed the estimated price. Bids can be cancelled and new bids invited, only if the conditions of clause 2.62 of the Guidelines Procurement under IBRD Loans and IDA credits, are met.
12.	All bid evaluation criteria shall be quantifiable in monetary term.
13.	Qualification criteria for bid evaluation shall be applied on a pass or fail basis.
14.	Contracts shall be awarded to qualified bidder having submitted the lowest evaluated substantially responsive bid and no negotiation shall take place.
15.	There should be an effective and independent protest mechanism allowing bidders and interested parties to protest and to have their protest handled in a timely manner.
16.	Advance no objection of the Association is required for any modifications in the contract scope/conditions during contract implementation.
(b)	Shopping
(c)	Community Participation
(d)	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) Selection Based on the Consultants' Qualifications
(b) Selection of Individual Consultants, including Sole Source Selection
(c) 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 finance Eligible Expenditures as set forth in the Withdrawal 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 Credit and of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category. To the extent practicable and relevant for Category (3(b)), the proceeds of the Grant shall be disbursed before disbursement of the proceeds of the Credit:

Category	Amount of Credit Allocated (expressed in SDR)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods, Works, Training and Operating Costs		287,000	100%
(2) Consultants Services, including audit and operational reviews		192,000	100% of local expenditures 90% of foreign expenditures
(3) Community Grants for: (a) retrofitting activities under Part II of the Project; and, (b) non-retrofitting activities under Part II of the Project	2,900,000	650,000 1,044,000	100% 100% of the amounts disbursed
(4) Unallocated		127,000	
TOTAL AMOUNT	<u>2,900,000</u>	<u>2,300,000</u>	

For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Recipient for goods, works or services supplied from the territory of any country other than that of the Recipient;

(b) the term “local expenditures” means expenditures in the currency of the Recipient for goods, works or services supplied from the territory of the Recipient;

(c) the term “training” means Project related study tours, training courses, seminars, workshops and other training activities not included under goods or service providers’ contracts, including travel and per diem costs of trainees and trainers;

(d) the term “operating costs” means incremental operating expenditures incurred by the Project Implementing Entity on account of the Project implementation, management, monitoring and evaluation, including salaries of contractual staff, Social Charges and expenditures for office rent, office maintenance and office repairs, as well as expenditures for materials and supplies, communication costs, support for information systems, translation costs, bank charges and travel and per diem costs of the Project Implementing Entity’s staff and other reasonable expenditures directly associated with implementation of the Project activities, all based on an annual budget acceptable to the Association, but excluding salaries of officials of the Recipient’s civil service and such other expenditures as may be agreed upon by the Association; and

(e) the term “Social Charges” means any payments, premia, or contributions for health benefits, unemployment benefits, disability insurance, workers’ compensation benefits, retirement (pension or social security) benefits, and life insurance, which constitute payment for the drawdown of future benefits to the staff concerned.

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 is December 31, 2011.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing March 15, 2020 to and including September 15, 2029	1%
commencing March 15, 2030 to and including September 15, 2049	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. “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. “Beneficiary Community” means an eligible community which is a recipient or proposed to be a recipient of a Community Grant under Part II of the Project for the implementation of a Community Investment Plan.
3. “Category” means a category set forth in the table in Part A.2 of Section IV of Schedule 2 to this Agreement.
4. “Community-Grant” means a grant provided or proposed to be provided to an eligible community from the proceeds of the Financing to finance expenditures in respect of goods, works and consultants’ services necessary for the implementation of a Community Investment Plan under Part II of the Project.
5. “Community Grant Agreement” means an agreement among a respective local investment union executive committee, a respective village council and the Project Implementing Entity for the provision of a Community Grant to a Beneficiary Community.
6. “Community Investment Plan” means an investment plan prepared by an eligible community in accordance with the principles and procedures and eligibility criteria set forth in the Operational Manual and financed or proposed to be financed by a Community Grant.
7. “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.
8. “Environmental Management Plan” or “EMP” means the plan, satisfactory to the Association, dated September 24, 2009, adopted by the Recipient and included in the Operational Manual, describing the environmental mitigations, monitoring and institutional measures for the Project, including the guidelines for environmental screening and assessment of Micro-projects.
9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
10. “Land Acquisition Plan” means a site-specific land acquisition plan prepared in accordance with the parameters laid down in the Land Acquisition Policy

Framework, acceptable to the Association, to be developed by the Project Implementing Entity for each Micro-project which involves land acquisition and/or resettlement.

11. “Land Acquisition Policy Framework” means the land acquisition policy framework, satisfactory to the Association, dated September 24, 2009, adopted by the Recipient and setting forth: (i) the description of the Project and activities for which land acquisition and/or resettlement may be required; (ii) the principles and objectives governing resettlement preparation and implementation; (iii) a description of the process for preparing and approving Land Acquisition Plans; (iv) estimated population displacement and likely categories of displaced or affected persons; (v) eligibility criteria for defining various categories of displaced and affected persons; (vi) a legal framework reviewing the fit between Recipient’s laws and regulations and the Association’s policy requirements and measures proposed to bridge any gaps between them; (vii) methods of valuing affected assets; (viii) a description of the grievance mechanisms; (ix) a description of compensation mechanisms; and (xiii) monitoring arrangements by the Project Implementing Entity and, if required, by independent monitors.
12. “Micro-project” means a micro-project included or proposed to be included in a Community Investment Plan under Part II of the Project and to be financed from proceeds of a Community Grant.
13. “Operational Manual” means the operational manual satisfactory to the Association, dated September 24, 2009, adopted by the Project Implementing Entity and setting forth, *inter alia*: (a) the procedures for the implementation and monitoring of the Project; (b) the eligibility criteria, the Beneficiary contribution requirements and the preparation, evaluation, selection, financing, implementation and supervision of procedures for Micro-projects and Community Grants; and (c) EMP.
14. “Original Financing Agreement” means the Financing Agreement for the Second Village Investment Project between the Recipient and the Association, dated October 3, 2006 (Grant No. H250 KG).
15. “Original Project” means the Project described in the Original Financing Agreement.
16. “Original Project Agreement” means the Project Agreement for the Second Village Investment Project of even date with the Original Financing Agreement, and entered into between the Association and the Project Implementing Entity.
17. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.

18. "Procurement Plan" means the Recipient's procurement plan for the Project, dated September 24, 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.
19. "Project Agreement" means the agreement of even date herewith between the Association and the Project Implementing Entity, as such agreement may be amended from time to time, and such term includes all schedules and agreements supplemental to said Project Agreement.
20. "Project Implementing Entity" means the Recipient's Community Development and Investment Agency of the Kyrgyz Republic, or any successor thereto.
21. "Project Implementing Entity's Legislation" means the Edict of the President of the Kyrgyz Republic, No. 330, dated October 15, 2003, including any amendments thereto or any succeeding legislation, establishing the Project Implementing Entity.
22. "Subsidiary Agreement" means the subsidiary agreement entered into between the Recipient and the Project Implementing Entity pursuant to Section 5.01 of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement.

Section II. Amendment to Original Financing Agreement

The Original Financing Agreement is amended as set forth below.

1. The following paragraphs 4 and 5 are added, respectively, to Section I of Schedule 2 to the Original Financing Agreement to read as follows:
 4. The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the provisions of EMP, the Land Acquisition Policy Framework and the Land Acquisition Plan(s).
 5. The Recipient or the Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provisions of EMP, the Land Acquisition Policy Framework or the Land Acquisition Plan(s) without prior approval of the Association."
2. The Appendix of the Original Financing Agreement is amended, adding the following definitions in items 11, 12 and 13, respectively, while renumbering the subsequent definitions in the Appendix:

“11. “Environmental Management Plan” or “EMP” means the plan, satisfactory to the Association, dated September 24, 2009, adopted by the Recipient and included in the Operational Manual, describing the environmental mitigations, monitoring and institutional measures for the Project, including the guidelines for environmental screening and assessment of Micro-projects.

“12. “Land Acquisition Plan” means a site-specific land acquisition plan prepared in accordance with the parameters laid down in the Land Acquisition Policy Framework, acceptable to the Association, to be developed by the Project Implementing Entity for each Micro-project which involves land acquisition and/or resettlement.

“13. “Land Acquisition Policy Framework” means the land acquisition policy framework, satisfactory to the Association, dated September 24, 2009, adopted by the Recipient and setting forth: (i) the description of the Project and activities for which land acquisition and/or resettlement may be required; (ii) the principles and objectives governing resettlement preparation and implementation; (iii) a description of the process for preparing and approving Land Acquisition Plans; (iv) estimated population displacement and likely categories of displaced or affected persons; (v) eligibility criteria for defining various categories of displaced and affected persons; (vi) a legal framework reviewing the fit between Recipient’s laws and regulations and the Association’s policy requirements and measures proposed to bridge any gaps between them; (vii) methods of valuing affected assets; (viii) a description of the grievance mechanisms; (ix) a description of compensation mechanisms; and (xiii) monitoring arrangements by the Project Implementing Entity and, if required, by independent monitors.”

3. Paragraph B.2 of Section IV in Schedule 2 of the Original Financing Agreement is amended to read as follows:

“2. The Closing Date is December 31, 2011.”

Section III. 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:

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.”