

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H548-RY

Financing Agreement

(Social Fund for Development Phase IV Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 28, 2010

Public Disclosure Authorized

GRANT NUMBER H548-RY

FINANCING AGREEMENT

AGREEMENT dated June 28, 2010, entered into between REPUBLIC OF YEMEN (“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 thirty eight million seven hundred thousand Special Drawing Rights (SDR 38,700,000) (“Financing” or “Grant”) 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. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Managing Director of SFD.
- 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 June 15 and December 15 in each year.
- 2.05. The Payment Currency is 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 SFD 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 is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
 - (a) Law No. 10 of 1997 of the Recipient has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SFD to perform any of its obligations under the Project Agreement.

 - (b) The Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SFD or for the suspension of its operations

- 4.02. The Additional Event of Acceleration consists of the following: any event specified in paragraphs (a) and (b) of Section 4.01 of this Agreement occurs

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Subsidiary Grant Agreement has been executed on behalf of the Recipient and SFD.

 - (b) The Operational Manual, satisfactory to the Association, has been updated and adopted by the Board of the SFD.

- 5.02. The Additional Legal Matters consist of the following: the Subsidiary Grant Agreement has been duly authorized or ratified by the Recipient and SFD and is legally binding upon the Recipient and SFD in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.
- 5.04. 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 Planning and International Cooperation.

6.02. The Recipient’s Address is:

Ministry of Planning and International Cooperation
 PO Box 175
 Sana’a, Republic of Yemen

Facsimile:
 967-1-250-665

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 the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF YEMEN

By /s/ Abdulwahab Abdullah Al-Hajri
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shamshad Akhtar
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (i) to improve access to basic services; (ii) to enhance economic opportunities; and (iii) to reduce the vulnerability of the poor.

The Project consists of the following parts:

Part A: Community and Local Development Program

1. Provision of Sub-grants for the carrying out, by communities and local authorities, of Sub-projects consisting of infrastructure and other services in various sectors including: education, health, special needs groups, water and sanitation, cultural heritage, agriculture, and rural roads.
2. Carrying out, through the provision of goods, training and consultants' services, activities to develop SFD's annual operational plans as well as the capacity of select local authorities and communities in participatory planning and management of development activities.

Part B: Small and Micro Enterprises Development Program

1. Provision of Sub-grants to Eligible Intermediaries to build up the institutional capacity of such Eligible Intermediaries to deliver financial and business development services.
2. Carrying out, through the provision of goods, training and consultants' services, a program to further support the institutional capacity of micro finance institutions and to create an enabling environment for small and micro enterprises development including through, the establishment of a credit bureau, the development of consumer protection legislation and associated regulations, and the development of financial literacy training programs.

Part C: Capacity Building Program

1. Carrying out, through the provision of Sub-grants, goods, training and consultants' services, Sub-projects to develop the capacity of select governmental organizations, local authorities, community-based organizations, non-governmental organizations, private sector groups and individuals active in the areas related to SFD activities.

2. Carrying out, through the provision of goods, training, consultants' services, and operating costs, a program to strengthen the institutional capacity, including the project management capacity, of SFD.

Part D: Labor-intensive Works Program

1. Provision of Sub-grants to targeted communities for the carrying out of labor-intensive works Sub-projects in: irrigation, water harvesting, agricultural terraces rehabilitation, agricultural land improvement, maintenance and improvement of village access earth roads, the improvement of drinking water sources, watershed management and other fields based on the priority needs of each community.
2. Carrying out, through the provision of goods, training and consultants' services, activities to develop the SFD's annual operational plans as well as the capacity of select local authorities and communities in participatory planning and management of development activities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall cause SFD to carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual and the EMP, and shall not assign, amend, abrogate or waive any provisions of the Operational Manual or the EMP without prior approval of the Association.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to SFD under a subsidiary grant agreement between the Recipient and SFD, under terms and conditions approved by the Association (“Subsidiary Grant Agreement”).
2. The Recipient shall exercise its rights under the Subsidiary Grant 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 assign, amend, abrogate 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. Sub-projects

1. For the purposes of Parts A1, B1, C1 and D1 of the Project, the Recipient shall cause SFD to make Sub-grants to Sub-grantees in accordance with the eligibility criteria and procedures set forth in the Operational Manual and acceptable to the Association, which shall include the following: Sub-project proposals shall be selected, implemented and evaluated in accordance with the principles and procedures set forth in the Operational Manual, the Procurement Guidelines, the Consultant Guidelines, the Anti-Corruption Guidelines and the EMP.

2. Prior to the making of a Sub-Grant, the Recipient shall cause SFD to enter into a Sub-grant Agreement with the respective Sub-grantee on terms and conditions approved by the Association, which shall include the following:
 - (a) Sub-Grants shall be denominated in Yemeni Rials equivalent (such equivalent to be determined as of the respective date of the withdrawal of the proceeds of the Grant from the Designated Account); and
 - (b) the Recipient shall cause SFD to obtain rights adequate to protect its interests and those of the Association, and to provide assistance to Sub-grantees on a case-by-case basis in the implementation of those activities for the protection of those rights, including the right to:
 - (i) suspend or terminate the right of the Sub-grantee to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Sub-grantee's failure to perform any of its obligations under the Sub-grant Agreement; and
 - (ii) require each Sub-grantee to:
 - (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines;
 - (B) for Sub-projects which require a limited Environmental Impact Assessment (EIA), as set forth in the Operational Manual, to carry out such EIA in a timely manner and to implement all required mitigation measures while carrying out Sub-projects in accordance with the EMP, requiring such EIA and mitigation measures to be in compliance with environmental standards satisfactory to the Association and which shall include adequate information on the carrying out of such EIAs in the progress reports referred to in Section II.A of this Schedule 2. SFD shall not provide Sub-grants to any Sub-projects which may involve land acquisition, resettlement, the use of international waterways or shall be designated as environmental Category A investment projects in accordance with the applicable laws and regulations of the Recipient;

- (C) provide, promptly as needed, the resources required for the purpose;
- (D) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of this Agreement;
- (E) maintain procedures adequate to enable it to monitor the progress of the Sub-project and the achievement of its objectives;
- (F)
 - (1) maintain financial management practices in accordance with standards acceptable to the Association, both in a manner adequate to reflect the Operational, resources and expenditures related to the Sub-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;
- (G) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and
- (H) 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.

3. The Recipient shall cause SFD to exercise its rights under each Sub-grant 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 and shall cause SFD to not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The 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 Bank not later than forty five (45) days after the end of the period covered by such report.
2. On or about April 15, 2013, the Recipient shall cause SFD to carry out jointly with the Association, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review). The Midterm Review shall cover, amongst other things:
 - (a) progress made in meeting the Project's objective; and
 - (b) overall Project performance against Project performance indicators.
3. The Recipient shall cause SFD to prepare at least four (4) weeks prior to the Midterm Review, and furnish to the Association, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

B. Financial Management, Financial Reports and Audits

1. The 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. The Recipient shall ensure that SFD prepares and furnishes to the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall cause SFD to have its Financial Statements and the Financial Statements for the Project audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of such Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the 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:

<u>Procurement Method</u>
(a) National Competitive Bidding, subject to the following additional provisions: the procedures to be followed for National Competitive Bidding under this paragraph shall be those set forth in Law No. 23 for 2007, concerning Government Tenders, Auctions and Stores, and its Regulations, subject to the following additional procedures: (1) a Recipient-owned enterprise in the Republic of Yemen shall be eligible to bid only if it can establish that it is legally and financially autonomous, operates under commercial law, and is not a dependent agency of the Recipient; (2) bidding (or pre-qualification, if required) shall not be restricted to any particular class of contractors or suppliers, and non-registered contractors and suppliers shall also be eligible to participate;

- (3) tenders shall be advertised for at least two (2) consecutive days in two (2) local newspapers of wide circulation;
- (4) prospective bidders shall be allowed a minimum of thirty (30) days for the preparation and submission of bids, such thirty (30) days to begin with the availability of the bidding documents or the advertisement, whichever is later;
- (5) until national standard bidding documents acceptable to the Association are available, bidding documents approved by the Association shall be used, and may be prepared in Arabic;
- (6) registration shall not be used to assess bidders' qualifications; qualification criteria (in case pre-qualification was not carried out) and the method of evaluating the qualification of each bidder shall be stated in the bidding documents, and before contract award the bidder having submitted the lowest evaluated responsive bid shall be subject to post-qualification;
- (7) a foreign bidder shall not be required to register or to appoint an agent as a condition for submitting its bid and, if determined to be the lowest evaluated responsive bidder, shall be given reasonable opportunity to register, without let or hindrance; the registration process shall not be applicable to sub-contractors;
- (8) all bids shall be submitted in sealed envelopes and may be submitted, at the bidder's option, in person or by courier service;
- (9) all bids shall be opened at the same time in a public bid opening which bidders shall be allowed to attend and which shall follow immediately after the deadline for submission of bids;
- (10) evaluation of bids shall be carried out in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated responsive bidder, without resorting to the rejection of bids above or below a certain percentage of the pre-bid estimate (bid price bracketing);
- (11) no bidder shall be requested or permitted to modify its bid after the bid closing date shall have elapsed and bids submitted after the deadline for submission of bids shall be returned to the bidder unopened;
- (12) post-bidding negotiations with the lowest or any other bidder shall not be permitted;
- (13) under exceptional circumstances, the procuring entity may, before the expiration of bid validity, request all bidders in writing to extend the validity of their bids, in which case bidders shall not be requested nor permitted to amend

the price or any other condition of their bids; a bidder shall have the right to refuse to grant such an extension without forfeiting its bid security, but any bidder granting such extension shall be required to provide a corresponding extension of its bid security;

(14) price adjustment provisions may be included in contracts for works with a duration of more than eighteen (18) months;

(15) rejection of all bids is justified when there is lack of effective competition, or bids are not substantially responsive, however, lack of competition shall not be determined solely on the basis of the number of bidders; and

(16) each contract financed from the proceeds of the Grant shall provide that the contractor or supplier shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have such accounts and records audited by auditors appointed by the Association

(b) Shopping

(c) Direct Contracting

(d) Procurement from UNICEF and UNOPS.

(e) Community Participation procedures as described below: SFD shall provide funds directly to communities responsible for managing the implementation of Sub-projects under Components A1, C1 and D1 of the Project. Such procurement will be carried out by eligible communities according to the policies and simplified procedures set out in the SFD Manual for “Direct Financing of Communities”, which is part of the Operational Manual.

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.

<u>Procurement Method</u>
(a) Selection under a Fixed Budget
(b) Least Cost Selection

(c) Selection based on Consultants' Qualifications
(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 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:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Goods, consultants' services, Sub-Grants, Training and Incremental Operating Costs for the Project	38,700,000	100%
TOTAL AMOUNT	38,700,000	

For the purpose of this table:

- (a) the term "Incremental Operating Costs" means expenditures incurred for the implementation of the Project, management and monitoring, on account of office rental, local contractual staff salaries, utility charges,

transportation, maintenance of vehicles, insurance of vehicles, fuel, office supplies, banking charges, communication services, and travel costs and *per diem*, excluding salaries of officials of the Recipient's civil service; and

- (b) "Training" means Project related study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers' contracts, including costs of training materials, space and equipment rental, travel, *per diem* costs of trainees, trainers and trainers' fees, and interpretation and translation services.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2015.

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. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “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.
4. “EIA” means a limited environmental impact assessment required by the EMP for specified Sub-project activities in respect of works to be undertaken by Sub-grantees, defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities of Sub-projects, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended from time to time with the Association’s prior written approval; and “EIAs” refers to more than one such EIA.
5. “Eligible Intermediaries” means small and micro finance institutions that are recipients of Sub-grants under Part B1 of the Project.
6. “EMP” means the environmental management plan prepared by the Recipient and disclosed on February 2, 2010, satisfactory to the Association, consisting of, *inter alia*: (i) the potential and actual adverse environmental impacts of the activities under the Project; and (ii) measures to be taken during the implementation and operation of the Project to mitigate, eliminate or otherwise offset adverse environmental and social impacts under the Project.
7. “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.
8. “Operational Manual” means the manual dated August 2003, and updated and adopted by the Board of SFD pursuant to Section 5.01(b) of this Agreement, specifying SFD’s managerial, financial, administrative, monitoring and evaluation, procurement, engineering and environmental and social policies and procedures for execution of the Project, the EMP, and the eligibility criteria for

selection of Sub-projects, as the same may be amended from time to time with the agreement of the Association.

9. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
10. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 16, 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.
11. “Project Implementing Entity” means SFD.
12. “SFD” means the Social Fund for Development, established pursuant to the Recipient’s Law No. 10 of 1997, as the same may be amended from time to time.
13. “Sub-grant” means a grant made or proposed to be made by SFD, out of the proceeds of the Financing, to finance a Sub-project under Parts A1, B1, C1 and D1 of the Project.
14. “Sub-grantees” means the recipients of Sub-grants under Parts A1, B1, C1 and D1 of the Project, as set out in the Operational Manual, including Eligible Intermediaries under Part B1 of the Project; and “Sub-grantee” means one such recipient.
15. “Sub-grant Agreement” means an agreement made between SFD and a Sub-grantee for the purpose of financing a Sub-project under Parts A1, B1, C1 and D1 of the Project.
16. “Subsidiary Grant Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.
17. “Sub-Project” means a specific project to be carried out by a Sub-grantee under Parts A1, B1, C1 and D1 of the Project using the proceeds of a Sub-grant.

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*

... (l) *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.”