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CONFORMED COPY

GRANT NUMBER H482-BF

Financing Agreement

(Urban Water Sector Project)

between

BURKINA FASO

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 9, 2009

GRANT NUMBER H482-BF

FINANCING AGREEMENT

AGREEMENT dated June 9, 2009, entered into between BURKINA FASO (“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 fifty three million five hundred thousand Special Drawing Rights (SDR 53,500,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are May 1st and November 1st in each year.
- 2.05. The Payment Currency is the Euro.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. 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 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) Either of the parties to the Performance Contract has failed to comply with its obligations thereunder, without necessary measures satisfactory to the Association having been taken to address the causes or implications of such non-compliance.
 - (b) The Performance Contract 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.
 - (c) A situation has arisen which shall make it improbable that the Program, or a significant part of it, can be implemented.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
 - (b) The Project Implementing Entity has adopted the Project Implementation Manual, in a manner satisfactory to the Association.

- 5.02. The Additional Legal Matters consist of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) 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 the Recipient at the time responsible for finance.

6.02. The Recipient's Address is:

Minister of Economy and Finance
Ministère de l'Économie et des Finances
 03 BP 7050
 Ouagadougou 03
 Burkina Faso

| | | |
|----------|--------|-----------------|
| Cable: | Telex: | Facsimile: |
| SEGEGOUV | 5555 | 226-50-31-27-15 |

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 Ouagadougou, Burkina Faso, as of the day and year first above written.

BURKINA FASO

By /s/ Lucien Marie Noël Bembamba

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Galina Y. Sotirova

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase access to sustainable water and sanitation services in selected urban areas.

The Project consists of the following parts:

Part 1. Urban water

Implementation of a program, including technical advisory services for preparatory studies and contract supervision, to support: (i) the expansion or reinforcement of the water production and storage capacity in Bobo-Dioulasso, Koudougou and Dédougou; (ii) the expansion of the distribution system in Ouagadougou, Bobo-Dioulasso, Koudougou and Dédougou; and (iii) the expansion of access to water supply services, in Ouagadougou, Bobo-Dioulasso, Koudougou and Dédougou.

Part 2. Access to Sanitation

(a) Implementation of a program, including provision of Subproject Inputs, to support the expansion of access to sanitation services in Ouagadougou and Bobo-Dioulasso;

(b) Implementation of a program to support: (i) the provision of improved water supply and sanitation services in schools, and (ii) the provision of adequate facilities for disposal of effluents, in Ouagadougou and Bobo-Dioulasso; and

(c) Implementation of a program to support: (i) the mobilization of the population, the management of contracts and the supervision of works, (ii) the training of local masons and contractors, and (iii) activities with media campaigns, hygiene education and training in maintenance facilities.

Part 3. Institutional Support and Capacity Building

(a) Implementation of a program to support: (i) the assessment of the Project Implementing Entity's performance and viability, and (ii) the review of the impact and sustainability of access options proposed to households; and

(b) Implementation of a program to support: (i) the improvement of the internal auditing function; (ii) the improvement of customer management; (iii) the transfer of know-how; and (iv) the improvement of staff skills.

Part 4. Environmental and Social Management

(a) Acquisition of land and indemnification in connection with the implementation of Environmental and Social Management Plans and Resettlement Action Plans for the Project; (b) coordination and implementation of the Environmental and Social Management Framework and the Resettlement Policy Framework, as well as the preparation of the Environmental and Social Impact Assessments, the Environmental and Social Management Plans and the Resettlement Action Plans; and (c) activities to strengthen the capacities of the entities responsible for the implementation of Part 4 of the Project.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. 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 (“Subsidiary Agreement”) between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include:
 - (a) the obligation of the Recipient to:
 - (i) make the proceeds of the Financing available to the Project Implementing Entity: (A) in the form of a credit denominated in FCFA and repayable over twenty (20) years, including a grace period of ten (10) years, and with a 4% per annum interest rate, for 50% of proceeds of the Financing allocated to Part 1 of the Project, and (B) in the form of a non reimbursable grant for the balance of the proceeds of the Financing; and
 - (ii) take all actions necessary to permit the Project Implementing Entity to carry out the Project and ensure the achievement of the objectives thereof;
 - (b) the obligation of the Project Implementing Entity to:
 - (i) carry out the Project in accordance with this Agreement, the Project Agreement, the Subsidiary Agreement, the Project Implementation Manual, the Anti-Corruption Guidelines, the Environmental and Social Management Framework, and the Resettlement Policy Framework, and ESMPs and RAPs, if any;
 - (ii) promptly refund to the Recipient for further refund to the Association any proceeds from the credit referred to in Paragraph (a)(i) above not used for purposes of carrying out the Project or for achieving the objectives thereof, or otherwise

utilized in a manner inconsistent with the provisions of this Agreement or the Project Agreement;

- (iii) at the request of the Recipient or the Association, exchange views with the Recipient and the Association with regard to the progress of the Project and the achievement of the objectives thereof, and the Project Implementing Entity's performance of its obligations under the Project Agreement, the Subsidiary Agreement, the Project Implementation Manual, the Anti-Corruption Guidelines, the Environmental and Social Management Framework and the Resettlement Policy Framework, and ESMPs and RAPs, if any; and
 - (iv) promptly inform the Recipient of any condition which interferes or threatens to interfere with the implementation of the Project and the achievement of the objectives thereof.
- (c) a provision stipulating that, in case of conflict between any of the provisions contained in the Subsidiary Agreement or the Project Implementation Manual, on one hand, and those set forth in this Agreement and the Project Agreement, on the other hand, the provisions of this Agreement and the Project Agreement shall at all times prevail.
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 assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Financial Equilibrium

- 1. (a) The Recipient shall take all necessary measures, including any necessary water supply and sanitation tariffs revisions, to allow the Project Implementing Entity to maintain Financial Equilibrium in the urban water and sanitation sub-sector.
- (b) Without prejudice to the generality of paragraph (a) above, the Recipient shall, not later than July 31 of each year, commencing July 31, 2009, review the Project Implementing Entity's updated financial projections and readjust annual tariff increases as necessary to permit the realization or maintenance of Financial Equilibrium.

C. Anti-Corruption

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

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

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) At the end of the Project, the percentage of population having access to safe water has increased from 90% to 95% in Ouagadougou and from 70% to 94% in Bobo-Dioulasso;
 - (ii) At the end of the Project, the percentage of population having access to adequate sanitation services has increased from 25% to 50% in Ouagadougou and from 22% to 50% in Bobo-Dioulasso;
 - (iii) At the end of the Project, 527,000 additional persons in the Project area have access to improved water sources through household connections and public standpipes;
 - (iv) At the end of the Project, 246,000 additional persons in the Project area have access to improved on-site sanitation facilities;
 - (v) At the end of the Project, 120,000 additional students in the Project area have access to adequate sanitation facilities in their schools; and

- (vi) At the end of the Project, the Financial Equilibrium of the Project Implementing Entity's urban water sector has been maintained with the implementation of an agreed tariff policy based on cost recovery.
2. Twenty-four (24) months after the Effective Date, or such later date as may be agreed upon by the Recipient and the Association, the Recipient shall, in conjunction with the Project Implementing Entity and the Association, carry out a mid-term review of the Project (the "Mid-term Review"), covering the progress achieved in the implementation of the Project. The Recipient shall, in conjunction with the Project Implementing Entity, prepare, under terms of reference satisfactory to the Association, and furnish to the Association three (3) months prior to the beginning of the Mid-term Review, or on such other date agreed upon with the Association in writing, a report integrating the results of the monitoring and evaluation activities performed pursuant to this Agreement, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date. Following the Mid-term Review, the Recipient shall act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary by the Association to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objectives of the Project.
 3. 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 December 31, 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. The Recipient shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar semester (six months), interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.
3. The Recipient shall have the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient.

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:

| Procurement Methods |
|----------------------------------|
| (a) National Competitive Bidding |
| (b) Shopping |
| (c) Community Based Procurement |
| (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 Methods |
|--------------------------------------------------------|
| (a) Quality Based Selection |
| (b) Selection on the Basis of a Fixed Budget |
| (c) Least Cost Selection |
| (d) Selection Based on the Consultant’s Qualifications |
| (e) Selection of Individual Consultant |
| (f) Single Source Selection |

3. **Training.** Training shall be carried out on the basis of annual programs and budgets, which shall have been approved by the Association, and which shall, *inter alia*, identify: (a) the training envisaged; (b) the personnel to be trained; (c) the selection method of the institution conducting such training; (d) the institution conducting such training; (e) the justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such Training.

D. Review by the Association of Procurement Decisions

1. Except as the Association shall otherwise determine by written notice to the Recipient, the following contracts shall be subject to Prior Review by the Association:
 - A. With respect to contracts for works, goods and non consultants services: (a) each contract for works estimated to cost the equivalent of \$3,000,000 or more; (b) each contract for goods estimated to cost the equivalent of \$500,000 or more; (c) the first two contracts for works and the first two contracts for goods

procured on the basis of National Competitive Bidding; (d) each contract for works, goods or non consulting services procured on the basis of Direct Contracting; and

B. With respect to contracts for consultants services: (a) each contract for consultants’ services provided by a firm estimated to cost the equivalent of \$200,000 or more; (b) each contract for consultants’ services provided by an individual estimated to cost the equivalent of \$50,000 or more; (c) the first two contracts for consultants’ services provided by a firm estimated to cost less than the equivalent of \$200,000, and (d) each contract for consultants’ services procured on the basis of Single Source Selection.

2. 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 Financing Allocated (expressed in SDR) | Percentage of Expenditures to be Financed (exclusive of Value Added Tax, Registration tax and custom duties) |
|----------------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| (1) Goods, works and consultants’ services for Part 1 of the Project | 34,600,000 | 100% |

| | | |
|----------------------------------------------------------------------------------------------------|-------------------|------|
| (2) Goods, works and consultants' services for Part 2 of the Project, including Training | 16,300,000 | 100% |
| (3) Goods, works and consultants' services for Part 3 of the Project including Training and audits | 2,400,000 | 100% |
| (4) Goods, works and consultants' services for Part 4 (b) of the Project including Training | 200,000 | 100% |
| TOTAL AMOUNT | 53,500,000 | |

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 June 30, 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. “Beneficiary” means a household which is a party to a Household Sanitation Agreement and beneficiary of a Subproject Input.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “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.
5. “Displaced Persons” means a person, a group of people or entities who, on account of the execution of the Project, has experienced direct economic and social impacts caused by: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter (ii) loss of assets or access to asset, totally or partially; or (iii) loss of income or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction to access to legally designated parks and other protected areas resulting in adverse impacts on the livelihood of such person, group of people or entities.
6. “Environmental and Social Impact Assessment” or “ESIA” means the Recipient’s document prepared in accordance with the Environmental and Social Management Framework with respect to a Project activity, in which the Recipient has: (i) identified and assessed the potential environmental and social impact of the proposed Project activity, (ii) evaluated alternatives, and (iii) designed appropriate mitigation, management and monitoring measures.
7. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s document entitled “*Cadre de Gestion Environnementale et Sociale du Projet Sectoriel Eau en milieu Urbain (Rapport amendé)*” prepared by Boureima Nébié and dated January 30, 2009, acceptable to the Association.
8. “Environmental and Social Management Plan” or “ESMP” means the Recipient’s document prepared in accordance with the Environmental and Social

Management Framework with respect to a Project activity, that details: (i) the measures to be taken during the implementation and operation of the activity to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels, and (ii) the actions needed to implement these measures.

9. “FCFA” means Francs of the African Financial Community.
10. “Financial Equilibrium” means the situation where the Net Cash Balance at the end of year *n* is positive or equal to zero. For the purpose of this definition, “Net Cash Balance” at the end of year *n* means the net cash balance at the beginning of year *n*, plus the Net Cash Flow (positive or negative) for year *n*; and “Net Cash Flow” for year *n* means the sum of the net operating cash flow, plus any additional external financing (grants, subsidies, increases in equity capital and drawings under loans of more than one year) received during year *n*, less the Variation in Net Working Capital requirement, the repayments of loans of more than one year, and the investments for that year; and “Variation in Net Working Capital” means the variation of current assets excluding cash minus the variation in current liabilities for year *n*.
11. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
12. “Household Sanitation Agreement” means an agreement referred to in Section I.C of the Schedule to the Project Agreement.
13. “Performance Contract” means the Performance Contract, entitled “*Contrat Plan entre l’Etat Burkinabé et l’Office National de l’Eau et de l’Assainissement*” dated January 2007, between the Recipient and the Project Implementing Entity.
14. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project dated April 7, 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.
16. “Program” means the Recipient’s National Program for the Access to Safe Water and Sanitation (*Programme National d’Approvisionnement en Eau Potable et*

d'Assainissement) adopted by the Recipient by decision (*arrêté*) No. 2006-056/MAHRH/SG/DGRE of December 18, 2006.

17. “Project Implementation Manual” the Project Implementing Entity’s manual for the implementation of the Project adopted in accordance with Section 5.01(b) of this Agreement, as such manual may be amended from time to time with the prior written agreement of the Association, and such term includes any schedule to the Project Implementation Manual.
18. “Project Implementing Entity” means *Office National de l’Eau et de l’Assainissement – ONEA*, the Recipient’s water and sanitation utility governed by the Project Implementing Entity’s Legislation.
19. “Project Implementing Entity’s Legislation” means the Recipient’s Decree No. 85/387/CNR/PRES/EAU of July 22, 1985 creating the Project Implementing Entity, the Recipient’s Decree No. 94-391/PRES/MICM/EAU of November 2, 1994 transforming the Project Implementing Entity into a State owned Enterprise with a Board of Directors, and the Recipient’s Decree No. 2007-039/PRES/PM/MAHRH/MFB/MCPEA of January 22, 2007 approving the amended Articles of Association of the Project Implementing Entity.
20. “Resettlement Action Plan” or “RAP” means the Recipient’s document prepared in accordance with the Resettlement Policy Framework with respect to a Project activity, which, *inter alia*, (i) contains a census survey of Displaced Persons and valuation of assets, (ii) describes compensation and other resettlement assistance to be provided, consultation to be conducted with Displaced Persons about acceptable alternatives, institutional responsibilities for the implementation and procedures for grievance redress, and arrangements for monitoring and evaluation, and (iii) contains a timetable and budget for the implementation of such measures.
21. “Resettlement Policy Framework” or “RPF” means the Recipient’s document entitled “*Cadre de Politique de Réinstallation des Populations du Projet Sectoriel Eau en milieu Urbain (Rapport amendé)*” prepared by Boureima Nébié and dated January 2009, acceptable to the Association.
22. “Subsidiary Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.
23. “Subproject” means activities pertaining to the construction and rehabilitation of households’ latrines, construction of soakaway pits connected to washing

facilities and construction of the superstructure of such facilities, to be financed in part out of the proceeds of the Financing.

24. “Subproject Input” means a Subproject Input to be provided to a Beneficiary out of the proceeds of the Financing.
25. “Training” means the training of persons involved in Project-supported activities, based on annual budgets approved by the Association pursuant to Section III.C.3 of Schedule 2 to this Agreement, such term including seminars, workshops, conference and study tours, and costs associated with such activity include travel and subsistence costs for Training participants, costs of 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 are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:
 - (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

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