



CREDIT NUMBER 5306-MM

Financing Agreement

(Electric Power Project)

between

REPUBLIC OF THE UNION OF MYANMAR

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *October 12*, 2013

FINANCING AGREEMENT

AGREEMENT dated *October 12*, 2013, entered into between the REPUBLIC OF THE UNION OF MYANMAR ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to ninety two million six hundred thousand Special Drawing Rights (SDR 92,600,000) (variously, "Credit" and "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 Commitment Charge payable by the Recipient on the Unwithdrawn Financing Balance is at present zero. If, pursuant to decision of the Association's Board of Directors, a Commitment Charge shall be payable in the future, the Maximum Commitment Charge Rate shall be notified by the Association to the Recipient and shall not exceed 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).
- 2.05. The Payment Dates are May 15 and November 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 United States Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through the Myanmar Electric Power Enterprise in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of any of the following events having occurred:

- (a) Any action has been taken for the dissolution, disestablishment or suspension of operations of MEPE.
- (b) MEPE has ceased to exist in the same legal form as that prevailing as of the date of this Agreement.
- (c) In the opinion of the Association and after an exchange of views with the Recipient, the legal character, ownership or control of MEPE has changed from that prevailing as of the date of this Agreement so as to materially and adversely affect the ability of the Recipient or MEPE to perform any of its obligations arising under or entered into pursuant to this Agreement, or to achieve the objective of the Project.

4.02. The Additional Event of Acceleration consists of the following, namely, that the events specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.02. 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 (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient's Address is:

Ministry of Finance
Building No. 26
Naypyitaw
Myanmar

Facsimile:

95-67-410-198

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

REPUBLIC OF THE UNION OF MYANMAR

By



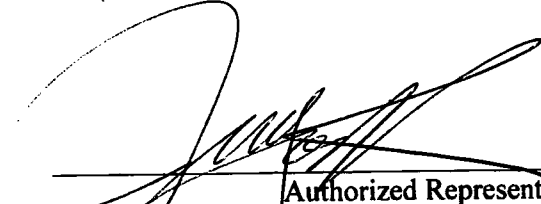
Authorized Representative

Name: H.E. U WIN SHEIN

Title: UNION MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: JIM YONG KIM

Title: PRESIDENT, THE WORLD BANK GROUP

SCHEDULE 1

Project Description

The objective of the Project is to increase capacity and efficiency of gas-fired power generation and strengthen the institutional capacity of the Ministry of Electric Power and the Myanmar Electric Power Enterprise.

The Project consists of the following parts:

Part 1: Combined-Cycle Gas Turbine Power Plant

Expansion of the Thaton gas turbine station into a new around 106 MW combined cycle gas turbine plant.

Part 2: Technical Assistance and Advisory Services

Provision of technical assistance and advisory support to the Ministry of Electric Power and the Myanmar Electric Power Enterprise for: (a) capacity building for policy making and regulation in the power sector, including, *inter alia*: (i) development of a national electrification plan; (ii) financial analysis and forecasting for electricity enterprises; (iii) economic valuation of natural gas in the domestic market; (iv) review of electricity tariffs and subsidy mechanisms; and (b) capacity building for Project implementation, including, *inter alia*: (i) engineering services for the combined cycle gas turbine plant; (ii) strengthening of procurement, environmental and social safeguards, and financial management capacity; and (iii) implementation of the Environmental and Social Management Plan at the Project site.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall (and shall cause MEPE to) maintain, throughout the implementation of the Project, MEPE with functions, composition and resources satisfactory to the Association, for the purpose of being responsible for, *inter alia*: (a) overseeing and guiding the overall administration of financial management, procurement, environmental and social safeguards management, and communication of the Project; (b) carrying out the overall monitoring and evaluation of Project activities; (c) providing technical and capacity building support to Project stakeholders; and (d) consolidating all the reporting under the Project.

B. Anti-Corruption

The Recipient shall (and shall cause MEPE to) ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The Recipient shall (and shall cause MEPE to) ensure that the Project is carried out in accordance with the Environmental and Social Assessment and the Environmental and Social Management Plan, including any other plan, guidelines and/or document to be adopted thereunder.
2. The Recipient shall not (and shall cause MEPE not to) assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, the ESA and the ESMP or any other document to be adopted in accordance with the provisions of the ESA and the ESMP, unless the Association has provided its prior approval thereof, and the Recipient has complied with the same consultation and disclosure requirements as applicable to the original adoption of the said instruments.
3. In the event of any conflict between the provisions of this Agreement and the provisions of the ESA and the ESMP, the provisions of this Agreement shall prevail.
4. The Recipient shall (and shall cause MEPE to) ensure that as part of the implementation of the ESA and the ESMP: (a) free, prior and informed consultations on the expected environmental and social impacts of the Project are carried out with Indigenous Peoples in the Project area, in a manner satisfactory

to the Association; (b) not later than six (6) months after the Effective Date, a grievance redressal mechanism for Indigenous Peoples in the Project area is developed and thereafter maintained throughout the period of Project implementation, in a manner satisfactory to the Association; (c) not later than six (6) months after the Effective Date, an environment, health and safety management system for the existing and the new facilities at the Thaton plant, including health and safety measures and guidelines, is developed and thereafter maintained throughout the period of Project implementation, in a manner satisfactory to the Association; (d) absent any specific environment, health safety measures or guidelines developed for the existing and the new facilities at the Thaton plant, the Project is carried out, in accordance with relevant provisions of the WBG EHS Guidelines; and (e) the operation of the existing facilities of Thaton gas turbine station is limited to periods of maintenance of the new combined cycle gas turbine plant, or situations of emergencies.

5. The Recipient shall (and shall cause MEPE to) ensure that: (a) all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the Association's environmental and social safeguards policies, as well as the Recipient's own laws relating to the environment and social aspects; and (b) in drafting any regulations, guidelines or corporate procedures and carrying out capacity building activities under the Project, due attention will be given to said policies and laws.

6. Without limitation to the provisions of Section II.A of this Schedule 2, the Recipient shall (and shall cause MEPE to) take all measures necessary on its part to regularly collect, compile, and submit to the Association a written report, in form and substance acceptable to the Association, containing information on the status of compliance with the ESA and the ESMP and giving details of:
 - (a) the measures taken in accordance with the ESA and the ESMP;
 - (b) conditions, if any, which interfere or threaten to interfere with the implementation of the ESA and the ESMP;
 - (c) remedial measures taken or required to be taken to address such conditions;
 - (d) outcome of any free, prior and informed consultations on the expected environmental and social impacts of the Project with Indigenous People in the Project area; and
 - (e) the status, as well as the environmental, health, safety and social impacts and mitigation measures thereof, of any operation of the existing Thaton gas turbine station.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Mid-term Review

1. The Recipient shall (and shall cause MEPE to) 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 in Annex 1 to this Schedule 2. Each Project Report shall cover a period of six (6) months (April through September and October through March), and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. As part of the Project Report, the Recipient shall (and shall cause MEPE to) furnish to the Association the report referred to in Section I.C.6 of this Schedule 2.
3. The Recipient shall (and shall cause MEPE to), not later than March 31, 2016, carry out a mid-term review of the progress in implementing the Project under terms of reference satisfactory to the Association, furnish the results of the review to the Association, and, based on the Association's recommendations, adopt measures, satisfactory to the Association, for the efficient and effective implementation of the Project and the achievement of its objective.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall (and shall cause MEPE to) maintain 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 (and shall cause MEPE to) prepare and furnish to the Association:
 - (a) by no later than November 15 of each year, commencing on November 15, 2013, interim unaudited financial reports for the Project, in form and substance satisfactory to the Association, covering a six-month period (i.e. April through September) of Project activities; and
 - (b) by no later than May 15 of each year, commencing on May 15, 2014, interim unaudited financial reports for the Project, in form and substance satisfactory to the Association, covering a six-month period (i.e. October through March) of Project activities.
3. The Recipient shall cause MEPE to have the Project's Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Project's Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Project's Financial

Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

4. The Recipient shall (and shall cause MEPE to) apply throughout the period of implementation of the Project, a financial management manual (the "FM Manual") acceptable to the Association, setting forth, the Project's administrative, financial, accounting, internal control, asset management, auditing, disbursement/withdrawal and reporting procedures required for the defrayment and proper accounting of Credit funds (provided, however, that in case of any conflict between the arrangements and procedures set out in the FM Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail). The Recipient shall not (and shall cause MEPE not to) assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, the FM Manual or any of its provisions without prior approval by the Association.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following method(s), other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping.

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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, Training and Workshops for the Project	92,600,000	100%
TOTAL AMOUNT	92,600,000	

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, except that withdrawals up to an aggregate amount not to exceed SDR 70,000 may be made for payments made prior to this date but on or after August 27, 2013, for Eligible Expenditures.
2. The Closing Date is April 30, 2018.

Section V. Other Undertakings

A. Financial Viability Plan of MEPE

1. The Recipient shall (and shall cause MEPE to), not later than March 31, 2015, prepare and furnish to the Association an action plan designed to ensure the financial viability of MEPE in the next five (5) years following Association's approval of the Project ("Financial Viability Action Plan"). The plan shall include, *inter alia*: (i) all expenditures estimated to be incurred by MEPE during the five (5) year period, including debt service and capital expenditures; (ii) the estimated resources available to MEPE, including revenues from its own operations, borrowings and equity; and (iii) proposed actions to ensure the continued financial viability of MEPE.
2. No later than March 31 of each year during Project implementation, starting in calendar year 2016, the Recipient shall (and shall cause MEPE to) prepare and furnish to the Association, an annual progress report on the implementation and update of the Financial Viability Action Plan, including measures recommended to ensure the continued financial viability of MEPE. The Recipient shall (and shall cause MEPE to) afford the Association a reasonable opportunity to

exchange views with the Recipient and MEPE and make recommendations on the proposed measures.

**Annex 1
to SCHEDULE 2**

Performance Indicators

Project Development Objectives											
PDO Statement											
The project development objective is to increase capacity and efficiency of gas-fired power generation and strengthen institutional capacity of Ministry of Electric Power and Myanmar Electric Power Enterprise.											
Project Development Objective Indicators											
Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					Frequency	Data Source/	Responsibility for
				2014	2015	2016	2017	End Target		Methodology	Data Collection
Generation capacity constructed under the project	<input checked="" type="checkbox"/>	MW	0	0	40	80	106	106	Annually	MEPE Progress Report	MEPE
Electricity generation in Thaton station	<input type="checkbox"/>	GWh	260	260	340	420	770	770	Annually	MEPE Progress Report	MEPE
Thermal efficiency of energy conversion in Thaton station	<input type="checkbox"/>	Percentage	20	20	30	40	48	48	Annually	MEPE Progress Report	MEPE
MOEP/MEPE staff involved in training and capacity building activities	<input type="checkbox"/>	Number	0	10	20	30	40	40	Semi-Annually	MEPE/MOEP Progress Report	MEPE/MOEP
National Electrification Plan (NEP)	<input type="checkbox"/>	Text	None	Draft NEP submitted to National Energy Management Committee	NEP adopted by Government	Under implementation	Under implementation	Under implementation	Semi-annually	MOEP Progress Report	MOEP

Intermediate Results Indicators												
Indicator Name	Core	Unit of Measure	Baseline	Cumulative Target Values					End Target	Frequency	Data Source/	Responsibility for
				2014	2015	2016	2017	Methodology			Data Collection	
Construction Progress	<input type="checkbox"/>	Percentage	0	30	60	80	100	100	Semi-Annually	MEPE Progress Report	MEPE	
Actual cost vs Cost Estimates (overruns if >100%)	<input type="checkbox"/>	Percentage	0	>75 <100	>60 <100	>60 <100	>80 <100	=100	Semi-Annually	MEPE Progress Report	MEPE	
Reduction of CO ₂ emissions per output generated	<input type="checkbox"/>	gCO ₂ eq/kWh	0	0	0	0	400	400	Annually	MEPE (WBG methodology)	MEPE	

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing November 15, 2023 to and including May 15, 2033	1%
commencing November 15, 2033 to and including May 15, 2053	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

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 and revised in January 2011.
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 under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
4. “Environmental and Social Assessment” and the acronym “ESA” means the Recipient’s environmental and social assessment, dated August 6, 2013, and agreed with the Association; as said assessment may be modified from time to time with the prior agreement of the Association, and such term includes any schedules or annexes to such assessment.
5. “Environmental and Social Management Plan” and the acronym “ESMP” means the Recipient’s environmental and social management plan, dated August 6, 2013, and agreed with the Association, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to manage any adverse environmental, health, safety and/or social impacts of activities to be implemented under the Project, including mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse environmental, health, safety or social impacts under the Project, and procedures for limiting the operation of the existing facilities of Thaton gas turbine station to periods of maintenance of the new combined cycle gas turbine plant, or situations of emergencies; as said plan may be modified from time to time with the prior agreement of the Association, and such term includes any schedules or annexes to such plan.
6. “FM Manual” means the manual developed for the implementation of the Project, dated September 20, 2013, setting forth the Project’s administrative, financial, accounting internal control, asset management, auditing, disbursement/withdrawals and reporting procedures required for the proper flow of Credit funds, as the same may be amended from time to time with the prior agreement of the Association.

7. “Financial Viability Action Plan” means the action plan to be prepared by the Recipient to ensure the financial viability of MEPE, and referred to in Section V.A of Schedule 2 to this Agreement.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
9. “Indigenous Peoples” means those social groups in the Recipient’s territory that have a distinct, vulnerable, social and cultural identity, and that are susceptible to being disadvantaged in the development process affected by the Project or any part thereof, and that possess the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the Project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; (d) an indigenous language; (e) having a subsistence economy, (f) using simple tools and technology, (g) having a high dependence on the environment and local natural resources, and (h) having restricted access to social, economic, and political services.
10. “Ministry of Electric Power” means the Recipient’s ministry responsible for electric power or any successor thereto.
11. “Myanmar Electric Power Enterprise” and the acronym “MEPE” mean the enterprise established under State-owned Economic Enterprises Law, dated March 31, 1989, as amended thereof.
12. “MW” means megawatt.
13. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated August 27, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
15. “Training and Workshops” means the reasonable costs of training under the Project, based on annual budgets approved by the Association, and directly attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, course fees, services of trainers, rental of training facilities, preparation, acquisition, distribution and reproduction

of training materials, and other activities directly related to course preparation and implementation.

16. "WBG EHS Guidelines" means the World Bank Group Environmental, Health, and Safety General Guidelines, dated April 30, 2007, and the World Bank Group Environmental, Health, and Safety Guidelines for Thermal Power Plants, dated December 19, 2008, as amended thereof.