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**LOAN NUMBER 7924-IN**

# **Loan Agreement**

**(Capacity Building for Industrial Pollution Management Project)**

**between**

**INDIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated July 22, 2010**

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## **LOAN AGREEMENT**

AGREEMENT dated July 22, 2010, between INDIA, acting by its President (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”).

The Borrower has also requested the International Development Association (“Association”) to provide additional assistance towards the financing of the project (“Project”) described in Schedule 1 to this Agreement, and by an agreement of even date between the Borrower and the Association (“Financing Agreement”), the Association is agreeing to provide such assistance in an aggregate principal amount equal to twenty five million seven hundred thousand Special Drawing Rights (SDR 25,700,000) (“Credit”).

The Borrower and the Bank 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 — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of twenty five million two hundred ten thousand Dollars (\$25,210,000) (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment

continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(d) of the General Conditions.

- 2.05. The Payment Dates are June 1 and December 1 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out, through its Ministry of Environment and Forests, Parts 1.a and 3 of the Project and cause Parts 1.b, 1.c, 2.a, and 3 and Parts 1.b, 1.c, 2.b, and 3 of the Project respectively to be carried out by the States of Andhra Pradesh and West Bengal (“Project States”) in accordance with the provisions of Article V of the General Conditions and the Project Agreements.

- 3.02. The Borrower shall make part of the proceeds of the Loan available to each of the Project States.
- 3.03. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that all conditions precedent to the effectiveness of the Financing Agreement (other than the effectiveness of the Loan Agreement) have been fulfilled.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Borrower's Representative is any of the following: Secretary; Additional Secretary; Joint Secretary; Director; Deputy Secretary; or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower.
- 5.02. The Borrower's Address is:

Secretary to the Government of India  
Department of Economic Affairs  
Ministry of Finance  
New Delhi, India

Facsimile:

91-11-23092039

- 5.03. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:                      Telex:                      Facsimile:

INTBAFRAD                      248423(MCI) or                      1-202-477-6391

Washington, D.C. 64145(MCI)

AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By /s/ Anup K. Pujari  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ N. Roberto Zaghera  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are: (i) to build tangible human and technical capacity in selected state pollution control agencies of the Borrower for undertaking environmentally sound remediation of polluted sites; and (ii) to support the development of a policy, institutional and methodological framework for the Borrower to establish a National Program for Rehabilitation of Polluted Sites.

The Project consists of the following parts:

#### **Part 1. Strengthening Environmental Institutions: Building Capacity for Addressing Pollution Remediation**

Strengthening and integrating the institutional framework, including regulatory policies, management practices, and performance guidelines, for the Central Government and state governments in the remediation of polluted sites through the following activities:

- 1.a. Developing a National Program for Rehabilitation of Polluted Sites and preparation of policies and plans to address the remediation and rehabilitation of contaminated hazardous waste sites.
- 1.b. Establishing an environmental compliance assistance center to proactively promote and assist industries with environmental compliance in pollution management through the construction and provision of infrastructure facilities, and the provision of hardware support, information systems, a quick response desk, outreach programs, and training programs.
- 1.c. Institutional capacity building of state pollution control boards.

#### **Part 2. Investments in Priority Remediation and Environmental Improvements in Orphan Hazardous Waste Sites and Municipal Dumps**

Developing and implementing remediation plans that minimize the environment and health risks to acceptable and safe levels by containing the migration of heavy metals and chemicals from contaminated soil as well as ground and surface water:

- 2.a. Remediation of identified orphan polluted sites or municipal dump sites, or both, in Andhra Pradesh.

- 2.b. Remediation of identified orphan polluted sites or municipal dumpsites, or both, in West Bengal.

**Part 3. Project Management**

Support to the Borrower's Ministry of Environment and Forests and the Project Implementation Units of Andhra Pradesh and West Bengal for carrying out the Project.



**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Borrower shall through its Ministry of Environment and Forests:
  - (a) have overall responsibility for management and implementation of the Project and for achieving the project development objectives;
  - (b) establish and maintain throughout the period of Project implementation a Project Oversight Committee, which shall be chaired by the Secretary of the Ministry of Environment and Forests or a designated official in the Secretary's absence and which shall include designated representatives from the Central Pollution Control Board, the Planning Commission, the Department of Economic Affairs in the Ministry of Finance, the Ministry of Urban Development, the Ministry of Industry, and the chairpersons of the state steering committees as *ex-officio* members;
  - (c) designate and maintain throughout the period of Project implementation a Project Director, who shall be responsible for the effective and timely coordination and implementation of project activities at the central level and provide guidance to the Project Implementation Units to be established in the Project States and engage such management consultants as may be necessary to assist the Project Director in the carrying out of responsibilities;
  - (d) ensure that the Project's activities are consistent with the Project Operational Manual; and
  - (e) ensure that the Project Director shall have adequate decision-making authority required for the effective, efficient and timely implementation of the Project activities.
2. The Borrower shall:
  - (a) cause the State of Andhra Pradesh to carry out Parts 1.b, 1.c, 2.a, and 3 of the Project in accordance with this Agreement, the Project Agreement, and the Project Operational Manual; and

- (b) cause the State of West Bengal to carry out Parts 1.b, 1.c, 2.b, and 3 of the Project in accordance with this Agreement, the Project Agreement, and the Project Operational Manual.
- 3. To facilitate the carrying out of each Project State's Respective Part of the Project, the Borrower shall make part of the proceeds of the Loan and Credit available to each Project State for the purpose of carrying out their respective portions of the Project in accordance with the Borrower's standard arrangements.

**B. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines, which are included in the Project Operational Manual, and the Governance and Accountability Action Plan.

**C. Safeguards**

The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Management Framework and with the Environmental Management Plan(s) and Social Management Plan(s), including the provisions on resettlement and income restoration support, for the Project sites.

**D. Other Undertakings**

The Borrower shall contribute an adequate amount of its own resources for financing its Respective Part of the Project.

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

**A. Project Reports**

- 1. The Borrower shall monitor and evaluate the progress of the Project and, through its Ministry of Environment and Forests, prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of six (6) months in each Fiscal Year, and shall be furnished to the Bank not later than one (1) month after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

- 1. The Borrower shall maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
- 2. The Borrower shall, through its Ministry of Environment and Forests, cause each Project State and its respective state pollution control board to maintain a

financial management system, including records and accounts, and prepare quarterly interim unaudited financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures of the Project.

3. Without limitation on the provisions of Part A of this Section, the Borrower shall, through its Ministry of Environment and Forests, prepare and furnish to the Bank not later than forty-five (45) days after the end of each quarter of each Fiscal Year, interim unaudited financial reports for the Project, including expenditures incurred by the Project States, covering the quarter, in form and substance satisfactory to the Bank.
4. The Borrower shall have its Financial Statements and the records and accounts for the designated account(s) referred to in Section 2.04 of the General Conditions for each Fiscal Year audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) Fiscal Year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.
5. The Borrower shall cause the Project Director and each Project State to have their respective Financial Statements for each Fiscal Year audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and furnish to the Bank no later than six (6) months after the end of each Fiscal Year, a consolidated report on audits containing annual consolidated audited financial statements and a summary of audit observations.
6. The Borrower shall furnish to the Bank such other information concerning the consolidated report on audits as the Bank may from time to time reasonably request.
7. The Borrower shall maintain throughout the period of Project implementation, management consultants to assist the Project Director, including finance professionals with qualifications acceptable to the Bank and shall cause each Project State to have and maintain throughout the Project implementation period, a financial management cell at their respective Project Implementing Units with at least two (2) finance professionals with qualifications acceptable to the Bank.

### **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 Loan 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 Loan 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 Bank 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 subject to the following additional procedures:
  - (a) the Procurement Plan shall specify the circumstances under which such procurement method may be used; and
  - (b) standard bidding documents and procedures approved by the Bank shall be used.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	National Competitive Bidding, and the additional provisions agreed between the Borrower and the Bank
(b)	Direct Contracting
(c)	Shopping
(d)	Force Account

**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, subject to the following additional procedures:
  - (a) the Procurement Plan shall specify the circumstances under which such procurement method may be used; and
  - (b) standard Request for Proposal documents and procedures approved by the Bank shall be used.
  
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least-Cost Selection
(d) Selection Based on the Consultants’ Qualifications
(e) Single-Source Selection
(f) Selection of Individual Consultants as per the Consultant Guidelines

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such

additional instructions as the Bank may specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects”, dated May 2006, as revised from time to time by the Bank 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 Loan and the Credit (“Category”), the allocation of the amounts of the Loan and the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in Dollars)</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, works and consultants’ services for the Project (including training and workshops, and incremental operating costs)			85%
(a) Part 1 of the Project (Building Capacity for Remediation at Legacy Hazardous Waste Sites)		9,425,000	
(b) Part 2 of the Project (Investments in Hazardous Waste Sites)	25,146,975	13,000,000	
(c) Part 3 of the Project (Project Management)		2,900,000	
(2) Refund of the Preparation Advance		375,000	Amount payable pursuant to Section 2.07(a) of the General Conditions

(3) Front-end Fee	63,025	-----	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>25,210,000</b>	<b>25,700,000</b>	

**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 \$2,500,000 equivalent under the Loan and up to an aggregate amount not to exceed \$3,900,000 equivalent under the Credit may be made for payments made prior to this date but on or after June 30, 2009, for Eligible Expenditures under Category (1).
2. The Closing Date is September 30, 2015.

**SCHEDULE 3****Amortization Schedule**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<b>Principal Payment Date</b>	<b>Installment Share (Expressed as a Percentage)</b>
On each June 1 and December 1: Beginning December 1, 2015 through June 1, 2040	2%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
- (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating



the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
- 5. If the Withdrawn Loan Balance is denominated in more than one (1) Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

**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. “Environmental Management Plan” means the plan adopted for each Project site and furnished to the Bank that sets forth the environmental protection measures for the Project, including mitigation measures for potential impacts to the surrounding community and cultural properties, as said plans may be amended from time to time with the agreement of the Bank.
5. “Environmental and Social Management Framework” means the framework dated November 25, 2008 prepared by the Borrower for managing any negative environmental and social impacts from Project activities.
6. “Financing Agreement” means the agreement between the Borrower and the Association for the Project, of the same date as this Agreement, as such agreement may be amended from time to time including all appendices, schedules and supplemental agreements supplemental to the Financing Agreement.
7. “Fiscal Year” means the Borrower’s fiscal year beginning April 1 and ending March 31 the following year.
8. “Governance and Accountability Action Plan” means the plan adopted by the Borrower and the Project States dated April 15, 2010, that sets forth the key actions to be undertaken to strengthen governance, transparency, and accountability under the Project, as such plan may be revised from time to time with the prior approval of the Bank.
9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.

10. “Ministry of Environment and Forests” means the agency of the Borrower for the planning, promotion, coordination and overseeing the implementation of environmental and forestry programs.
11. “Part” means a part of the Project as described in Schedule 1 to this Agreement.
12. “Preparation Advance” means the advance referred to in Section 2.07(a) of the General Conditions, granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on April 17, 2006 and on behalf of the Borrower on July 5, 2006.
13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
14. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 27, 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.
15. “Project Agreement” means the agreement among the Bank, the Association and each Project State of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.
16. “Project Director” means the director of the Project, employed by the Ministry of Environment and Forests.
17. “Project Implementation Unit” means the unit established by each Project State for the day to day implementation of the Project and for coordination with stakeholder agencies.
18. “Project Operational Manual” means the Borrower’s operational manual including subsequent amendments made with the Bank’s agreement that outlines various principles, rules, and procedures for implementing the Project, which includes the Procurement Plan and provisions on Project implementation by the Project States.
19. “Project Oversight Committee” means the committee established by the Ministry of Environment and Forests to oversee the Project.
20. “Project State” means the State of Andhra Pradesh or the State of West Bengal, or their respective successor(s), that is a party to the Project Agreement.

21. “Social Management Plan” means the plan adopted for each Project site and furnished to the Bank on November 25, 2008 that sets forth the social protection measures for the Project, including provisions on resettlement and income restoration support, as said plans may be amended from time to time with the agreement of the Bank.
22. “State” means a state of India or any successor(s) thereto.
23. “State Project Steering Committee” means the committee established by each Project State to oversee the implementation of Project activities in each State.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.07 is modified to read as follows:

*“Section 2.07. Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest*

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

2. Paragraph (l) of Section 7.02 is modified to read as follows:

*“Section 7.02. Suspension by the Bank*

... (l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or 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 Bank or the Association.”

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.”
  - (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”