

**Technical Guidelines for the Implementation of the
Agreement on Debt-for-Development Swap
between
the Government of the Italian Republic
and
the Government of the Republic of the Union of Myanmar**

In compliance with the Agreement on Debt-for-Development Swap between the Government of the Italian Republic and the Government of the Republic of the Union of Myanmar, hereinafter referred to as the “Agreement”, signed in Rome on 6 March 2013 and entered into force on 29 November 2013, the Ministry of Foreign Affairs of the Italian Republic – Directorate General for Development Cooperation (MAE-DGCS) and the Ministry of Finance of the Republic of the Union of Myanmar, hereinafter referred to as the “Parties”, agree on the present Technical Guidelines, which shall be approved by the Management Committee as per Art 4 of the Agreement, in order to define a set of rules to be applied for the execution of the Agreement on Debt-for-Development Swap.

According to the Article 4.1 of the Agreement, a Management Committee (MC) is established for the implementation of the Agreement itself.

1. Creation and management of the Counterpart Fund generated by the Debt-for-Development Swap

In accordance with Article 2.1. of the Agreement, the Government of the Republic of the Union of Myanmar confirms that a Counterpart Fund (CPF) at the Myanma Economic Bank named “Italian – Myanmar Debt Swap Agreement – Management Committee” was established on 17 February 2014.

According to the Article 2.2. of the Agreement, the Government of the Republic of the Union of Myanmar shall deposit into the Counterpart Fund (CPF) the amount of US\$ 3,169,866.71 as provided for in Article 1.3 of the agreement, in one installment. The installment shall be converted into KYATS at the market exchange USD/KYATS based on the reference rate prescribed by the Central Bank of Myanmar on the same date on which it will be deposited in the CPF. The installment shall be deposited within six months after the entry into force of the Agreement.

According to the Article 2.3. of the Agreement, the Myanma Economic Bank shall communicate, through the Italian Embassy, to the MAE-DGCS and to the Italian Financial Institution (IFI) manager of ODA loans, within 15 (fifteen) days from the deposit, the following information:

- a. the amount in Kyats deposited into the CPF and the exchange rate utilized (the relevant administrative documents showing the amount deposited shall be attached); and
- b. the outstanding amount in the CPF and interest accrued (if any).

Within 15 (fifteen) days from the receipt of the abovementioned information, the Italian Financial Institution shall give to the Myanma Economic Bank an acknowledgment of the correctness of the amount deposited in the CPF.

At the end of the validity period of the Agreement, specified in Art.8.2, all amounts credited to the CPF and disbursed on financed projects, after being certified by the International Audit company, shall be cancelled. Moreover, the Government of the Republic of the Union of Myanmar shall pay to the Italian Government (within 30 working days from the notification by the Italian Financial Institution) all amounts credited to the CPF and not disbursed for jointly agreed projects (equal to

the outstanding amount on the CPF) at the same original exchange rate. Interest accrued (if any) and/or late interest if any (calculated after 30 working days from the notification by the Italian Financial Institution) shall be payable.

Upon a request of the Government of the Republic of the Union of the Myanmar to the Italian Government, the validity of the Agreement may be extended, in order to allow the use of the amounts deposited in the CPF and not totally disbursed, to finance new projects or to complete those already approved.

At the expiration of the aforesaid extended period of the Agreement, the Government of the Republic of the Union of Myanmar shall reimburse to the Italian Government the amount deposited in the CPF and not disbursed on selected projects, at the same original exchange rate and within 30 (thirty) working days, from the notification by the IFI.

2. Utilization of the Counterpart Fund.

The Counterpart Fund Account (CPF) shall be exclusively used to finance jointly agreed development projects that aim to promote poverty reduction, and socio-economic development in the Republic of the Union of Myanmar. Eligible projects shall be identified jointly, in compliance with the principles and guidelines agreed upon by the parties.

The Ministry of Finance, Myanmar, shall be responsible for the administrative and financial management of the CPF, the utilisation of which shall be based on the approval of MC.

In order to be considered eligible, projects shall fulfil the following criteria:

- a. promote poverty reduction, socio-economic development and environmental protection, through the enhancement of local livelihoods and the sustainable management of natural resources. Priority shall be given to projects focusing on the following priority sectors identified by the Government of the Republic of the Union of Myanmar: rural development, food security and agriculture, health, education, environment protection, including related demining activities, in a context of verifiable social participation and environmental sustainable resources use;
- b. be implemented in areas of the Republic of the Union of Myanmar with the highest poverty rates, according to national and international statistical data;
- c. imply a high degree of involvement and participation of local communities and local organisations active in the field of development and environmental protection;
- d. be submitted by Myanmar Governmental Agencies, Local Governmental Units, Community Based Organizations (CBOs), Myanmar and Italian Civil Society Organisations. All the proponents must have experience with development project management and/or implementation.
- e. be previously formally endorsed by the local beneficiaries communities representatives, in order to ensure a transparent and participatory approach, as regards projects submitted by Community Based Organizations (CBOs), Myanmar and Italian Civil Society Organisations;
- f. be included in the National Plan of Myanmar, as regards projects submitted by Myanmar Governmental Agencies and/or Local Governmental Units;
- g. have a comprehensive budget between the equivalent of US Dollar 200.000,00 (or US Dollar 50.000 for projects submitted by Local Governmental Units and CBOs) and US Dollar 700.000,00;
- h. not exceed the thirty-six (36) months duration starting from the date of the disbursement by the Ministry of Finance of the first instalment of funds to the implementing entity;

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- i. be co-financed by the applicant entity by at least the 3 % of the comprehensive project budget (cash and/or in-kind);
- j. duly consider the gender approach in order to ensure an equal participation of men and women in the implementation of projects.

3. Project presentation, selection and financing.

Projects shall be submitted to the MC by the Government of the Republic of the Union of Myanmar, through the Ministry of Finance, which shall receive proposals by the entities listed in item d. of the Paragraph 2 of these Technical Guidelines, following an official advertisement. All project proposals shall be provided with the documentation mentioned in Article 3.4, of the Agreement and meet all requirements specified in the advertisement.

In compliance with Article 3.4 and Article 5.1 of the Agreement, the Parties agree to entrust the UN Office for Project Services (UNOPS) with the technical assessment of project proposals, which must be positively assessed by UNOPS, before the approval of the MC. The criteria for this initial assessment, as well as the timing, shall be previously approved by the MC.

Only projects proposal positively assessed by UNOPS shall be apt for financing by the MC.

After selecting the projects to be financed, the MC shall authorize the Ministry of Finance to disburse to the implementation entities the first bi - annual instalment of funds according to the budget of each selected project. The payment of the subsequent bi - annual instalments shall be made upon the positive technical and financial evaluation of the previous six months progress reports by UNOPS and the approval of the MC.

As per Article 5.1 of the Agreement, the monitoring of the project implementation shall be carried out by UNOPS.

After completing the activities, the implementing entities shall submit to the MC a final report of the project activities which shall be evaluated by UNOPS and approved by the MC.

During the implementation of a project, in case of proved serious deficiencies and/or mismanagement of fund, the MC may decide to suspend and/or cancel the funding, as well as to impose to the implementing entity to pay back what was disbursed.

The costs of UNOPS technical assistance shall be funded by Italy for a maximum amount of 300.000 Euro, as established in Article 5 of the Agreement.

4. The Management Committee

The MC is the highest decision-making body for the utilization of the CPF. As indicated in Article 4.1 of the Agreement, it shall be composed as follows:

- a. On behalf of the Italian Government, H.E. the Ambassador of the Italian Republic or his/her representative, assisted by members of the Italian Embassy, of the Italian Co-operation Office, and/or of the MAE/DGCS, as the case may be;
- b. On behalf of the Government of the Republic of the Union of Myanmar, H.E. the Minister of Finance, or his/her representative, assisted by Representatives of the implementing Ministries/Departments/Agencies.

UNOPS may attend to MC meetings upon invitation.

The MC decision shall be taken by consensus.

The MC meetings shall be held within the Ministry of Finance premises in Nay Pyi Taw or within the premises of the Italian Embassy in Yangon or such other premises to be agreed by MC. The MC shall meet every four months and/or any time if necessary. It shall operate according to rules and procedures established by the Agreement, the present Technical Guidelines, as well as possible internal CPF procedures

The first MC meeting shall be held within three (3) months from the entry into force of the Agreement.

An official report will be prepared for every MC meeting and subscribed by members, or their duly authorized representatives. To this regard, the MC shall nominate a secretary of the Committee.

5. Duties of the Management Committee

In addition to those tasks indicated in Article 4.1 of the Agreement, the Management Committee shall:

- a. approve possible CPF internal procedures;
- b. approve the CPF yearly budget and the financing of projects;
- c. delegate UNOPS to carry out the technical evaluation of the project proposals, forwarded to MC by the Ministry of Finance;
- d. approve project amendments with additional costs, and/or objectives changes, proposed by the implementing entities and pre-evaluated by UNOPS;
- e. delegate UNOPS to evaluate and approve project amendments with no additional costs, neither objectives changes, proposed by the implementing entities;
- f. delegate UNOPS to evaluate the six months project reports, as well as final reports, and project technical-financial reports submitted by the implementing entities;
- g. delegate UNOPS to monitor the implementation of projects in the field;
- h. send to the MAE/DGCS, through the Italian Embassy, and to the Government of the Republic of the Union of Myanmar, through the Ministry of Finance, six months progress reports and/or final reports on projects already audited; and
- i. suspend or cancel the financing of a project in case of mismanagement and/or of non-compliance with the conditions under which the project has been approved.

6. Monitoring of Projects

UNOPS shall be entrusted with project monitoring, as per Article 5.1 of the Agreement. The monitoring shall include field visits, if necessary and/or requested by the MC. All projects shall be monitored at least twice during their implementation. The related costs shall be charged to the maximum amount of 300.000 Euro, which Italy shall provide for UNOPS technical assistance, according to Article 5 of the Agreement and Paragraph 3 of these Technical Guidelines.

The Italian Party, represented by the MAE-DGCS, is entitled to carry out monitoring activities and visit project sites during and after projects implementation, assuming the related costs. The Government of the Republic of the Union of Myanmar will facilitate to the Italian Party representatives access to project sites in order to undertake the above mentioned monitoring tasks.

7. Auditing of the Financial Statements

As per Article 2.6 of the Agreement, CPF financial statements, as well as projects financial statements shall be subject to a financial auditing. The auditing, on a yearly basis, shall be carried out by an International audit company, which will be pre - selected through a competition procedure by Ministry of Finance. The results of the pre-selection will be submitted to the MC that will designate the winner. The Auditing costs, up to 50,000 USD, shall be charged to the CPF.

The Ministry of Finance shall contract the auditor designated by the MC and supervise its labour. The related expenses shall be charged to the CPF, as indicated in the previous line.

Once the auditing is completed, the Ministry of Finance shall submit the final financial auditing reports, prepared by the auditor, to MC, for endorsement.

The last auditing shall be implemented before the CPF closure.

8. Amendments

Amendments to these Technical Guidelines shall be adopted through exchange of letters between the Parties.

9. Entry into force and duration

The Parties will approve these Technical Guidelines during the first meeting of the MC. The Technical Guidelines will enter into force on the date of their approval and shall be considered completed when the funds will be totally disbursed and/or paid back according to Paragraph 1 of the present Technical Guidelines.

Done in Nay Pyi Taw on 18th June 2014.

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