Loan Agreement

(Additional Financing for IDP Living Standards and Livelihood Project)

between

REPUBLIC OF AZERBAIJAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 23, 2016
LOAN AGREEMENT

Agreement dated June 23, 2016, between REPUBLIC OF AZERBAIJAN ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing additional financing for activities related to the Project described in Schedule 1 to this Agreement ("Project"). 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 sixty six million seven hundred thousand United States dollars (US$66,700,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the 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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower
shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are May 15 and November 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.08. (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: (A) 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; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference 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 objective of the Project. To this end, the Borrower shall cause the Project to be carried out by the Project Implementing
Entity in accordance with the provisions of Article V 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 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.

3.03. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) maintain, until the completion of the Project, a Project Account in Manat on terms and conditions acceptable to the Bank, to finance its counterpart contribution to the expenditures of the Project;

(b) deposit into the Project Account the amounts required to cover the Borrower's counterpart contributions as determined by the Borrower and the Bank; and

(c) ensure that the funds deposited into the Project Account shall be used exclusively to finance the Borrower's counterpart contributions to the Project.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that the Project Implementing Entity's Legislation 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.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Project Agreement has been executed on behalf of the Bank and the Project Implementing Entity;

(b) the Subsidiary Agreement has been amended in a manner acceptable to the Bank; and

(b) the Operational Manual has been updated in a manner acceptable to the Bank.
5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Finance.

6.02. The Borrower’s Address is:

Ministry of Finance
135 Samed Vurgun Street
Baku AZ1022
Republic of Azerbaijan

Telex: 142116 BNKSL
Facsimile: (944-12) 404-47-20

6.03. The Bank’s Address is:

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

Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Baku, Republic of Azerbaijan, as of the day and year first above written.

REPUBLIC OF AZERBAIJAN

By: [Signature]

Authorized Representative

Name: 

Title: 

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: [Signature]

Authorized Representative

Name: SAIDA SATIRU

Title: 

SCHEDULE 1

Project Description

The objective of the Project is to improve living conditions and increase the economic self-reliance of targeted internally displaced persons (IDP).

The Project consist of the following parts:

A. Micro-Projects

Provision of works, goods and services for the following activities, including, *inter alia:* (1) community mobilization and outreach for micro-project proposal development; (2) repair or rehabilitation of basic infrastructure (e.g. water supply, power supply, access roads, drainage systems); and (3) repair or rehabilitation of social infrastructure, such as schools and community centers.

B. Housing Renovation and Social and Economic Infrastructure for IDP Settlements

1. Provision of works, goods and services for the rehabilitation and full scale repair of IDP collective accommodation centers including improvement of common space areas (bathrooms, corridors, kitchens, etc.), enhancement of structural features (such as sewerage, roofing and water systems) as well as improvement of conditions in individual apartments such as replacement of windows, doors, and electricity to improve the overall living conditions including safety and efficiency.

2. Provision of works, goods and services for the construction and/or rehabilitation of physical infrastructure in Selected IDP New Settlements, including, *inter alia:* (a) the assessment of social and economic infrastructure needs; (b) the carrying out of community mobilization and outreach activities for prioritization of infrastructure investments; (c) the reparoiation, rehabilitation and/or construction of economic infrastructure (e.g. water supply, power supply, access roads, drainage systems); and (d) the reparoiation or rehabilitation of social infrastructure (e.g. schools, community centers).

3. Support for the operation and maintenance of investments financed under Part B of the Project, including through the provision of technical assistance and training to strengthen operation and maintenance capacity of IDP infrastructure.

C. Livelihood Support

1. Provision of vocational training and financial and technical support for small business development to IDP youth.
2. Provision of: (a) technical support and mobilization in selected communities leading to the establishment of about 200 self-help groups and formulation by such self-help groups of proposals for income generating activities; and (b) Small Grants to eligible self-help groups and individual group members with approved proposals for income generating activities to set up small businesses and micro-enterprises.

3. Financing of Micro-credits for IDPs and host community of IDP residents through eligible credit unions.

4. Piloting of integrative economic support in Selected IDP New Settlements through the carrying out of activities described under paragraphs 1 to 3 of this Part C of the Project.

D. Project Management, Implementation Support and Capacity Building

Provision of goods, consultants' services and Training for the proper management, implementation, supervision and monitoring and evaluation of the Project including, inter alia: (a) recruitment of regional staff with skills on infrastructure, citizen engagement, monitoring and evaluation, safeguards, financial management and procurement; (b) capacity building of the Project Implementing Entity and associated stakeholders through adequate training for technical supervision; (c) impact evaluation by an external firm to improve information on Project results; (d) annual financial audit of the Project accounts; and (e) public communications activities.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

1. All the Borrower’s obligations referred to in Section I of Schedule 2 to the Original Loan Agreement shall apply to the execution of the Project.

2. Without limitations upon the provisions of paragraph 1 of this Section, prior to the carrying out of any activities to be financed with the proceeds of the Loan, the Borrower shall and shall cause the Project Implementing Entity to: (a) amend the Subsidiary Agreement, and (b) update the Operational Manual, all for purposes of this Loan and in a manner satisfactory to the Bank.

3. The Borrower shall ensure that Part B.2 of the Project is carried out in accordance with the provisions of the RPF.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements 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 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.
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 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 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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the following additional provisions:</td>
</tr>
<tr>
<td>(i) there shall be no eligibility restrictions based on nationality of bidder;</td>
</tr>
<tr>
<td>(ii) pre-qualification may be used for simple works procurement and shall be conducted for large works contracts;</td>
</tr>
<tr>
<td>(iii) entities in which the State or a State official owns a shareholding of whatever size shall not be invited to participate</td>
</tr>
</tbody>
</table>
### Procurement Method

- in tenders for the Government unless they are and can be shown to be legally and financially autonomous and they operate under commercial law;
  - (iv) no national preferences may be applied on the basis of the origin of products or labor;
  - (v) joint venture partners shall be jointly and severally liable for their obligations;
  - (vi) no "participation fee" shall be required of bidders for the purchase of bidding documents. The only charge shall be equivalent to the cost of producing (copying) the bidding documents;
  - (vii) in the evaluation of bids, bids may not be rejected where they differ substantially from the estimated prices calculated by the procuring entity, except where the bid prices exceed the available budget;
  - (viii) rebidding shall not be carried out without prior approval of the Bank;
  - (ix) works contracts of more than eighteen (18) months' duration shall include appropriate price adjustment provisions;
  - (x) prior approval of the Bank shall be required for any modification in the contract scope and conditions during implementation; and
  - (xi) standard bidding documents approved by the Bank shall be used.

(b) Shopping

(c) Direct Contracting

(d) Well-established Private Sector Procurement Methods or Commercial Practices, as per paragraph 3.13 of the Procurement Guidelines, which have been found acceptable to the Bank, as specified in the Operational Manual

(e) Procedures set forth in paragraphs 3.19 of the Procurement Guidelines for Community Participation in Procurement for goods, works and non-consulting services under Part C of the Project, as specified in the Operational Manual
C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following table specifies 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:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection Under a Fixed Budget</td>
</tr>
<tr>
<td>(b) Least-cost Selection</td>
</tr>
<tr>
<td>(c) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(d) Single Source Selection</td>
</tr>
<tr>
<td>(e) Procedures set forth in paragraphs 5.1 through 5.6 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(f) Well-established Private Sector Procurement Methods or Commercial Practices as per paragraph 3.13 of the Consultant Guidelines which have been found acceptable to the Bank, as specified in the Operational Manual</td>
</tr>
<tr>
<td>(g) Quality-based Selection</td>
</tr>
</tbody>
</table>

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 shall 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 ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (Net of VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultant services</td>
<td>66,533,250</td>
<td>100%</td>
</tr>
<tr>
<td>(including audits), Small Grants, Micro-Credits, Training and Operating Costs for the Project (excluding Part B.1 of the Project)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>166,750</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(3) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.08(c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>66,700,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2020.
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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15</td>
<td></td>
</tr>
<tr>
<td>Beginning November 15, 2021</td>
<td>4.17%</td>
</tr>
<tr>
<td>through November 15, 2032</td>
<td></td>
</tr>
<tr>
<td>On May 15, 2033</td>
<td>4.09%</td>
</tr>
</tbody>
</table>

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 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.
SCHEDULE 4

Amendment to the Original Loan Agreement

1. The Borrower and Bank hereby agree to amend the Original Loan Agreement as follows:

(a) Schedule 1 is hereby replaced in its entirety by Schedule 1 to this Agreement.

(b) The description of Category (1) in the table in Section IV.A.2 to Schedule 2 is hereby replaced in its entirety to read as follows:

“(1) Goods, works, non-consulting services, and consultants’ services for the Project (excluding Part B.2, B.3 and C.4 of the Project)”

(c) The Project closing date is extended until December 31, 2016.

(d) The following definition is hereby added to Section I of the Appendix to read as follows:

“"Additional Financing Agreement" means the agreement between the Borrower and the Bank for purposes of providing additional financing for the Project.”

(e) The following definitions in Section I of the Appendix are hereby amended to read as follows:

(i) ""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 (revised July 2014).”

(ii) ""EMPF" means the Environmental Management Plan Framework, dated June 23, 2011, and updated on January 5, 2016 setting forth the framework of procedures and measures to mitigate any adverse impacts to the environment and incorporated into the Operational Manual.”

(iii) ""General Conditions" means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.”

(v) ""Small Grants" means grants made or proposed to be made by the Project Implementing Entity, out of the proceeds of the Loan, to finance eligible income generating activities under Part C.2 (b) and C.4 of the Project in accordance with the Project's Operational Manual."

(vi) ""Sub-project" means a sub-project for starting or scaling-up of small business to be carried out by Beneficiaries under Part C.3 and C.4 of the Project, eligible for financing under a Sub-loan in accordance with the procedures and eligibility criteria referred to in Section I.A.7 of the Schedule to the Project Agreement as set forth in the Operations Manual; and the term "Sub-projects" means, collectively, all such Sub-projects."

(vii) ""Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement, as amended pursuant to Section 1.2 (a) of Schedule 2 to the Additional Financing Agreement, pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity."
APPENDIX

Section I. Definitions


2. “Beneficiaries” means an eligible individual IDP which has met the eligibility criteria specified in the Operational Manual, and to which or for whose benefit a Micro-credit is made or proposed to be made; and the term “Beneficiaries” means, collectively, all such Beneficiaries.

3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


7. “Manat” means the currency of the Borrower.

8. “Micro-credit” means a micro-credit made or proposed to be made by the eligible credit unions to Beneficiaries for the purpose of financing expenditures incurred for goods, works and services for carrying out a Sub-project; and the term “Micro-credits” means, collectively, all such Micro-credits.

9. “Operating Costs” means incremental operating and maintenance costs incurred by the Project Implementing Entity on account of management of Project implementation for communications, utilities including electricity, bank charges, printing and publications, office rent maintenance, repair and supplies, office security systems, vehicle operation, fuel and maintenance, salaries of the Project Implementing Entity’s staff employed for the purpose of the Project, excluding those who are civil servants, eligible social charges, transportation and field trip expenses, insurance for office equipment and vehicle, all for the purpose of Project management, as such other expenditures as may be agreed upon by the Bank.
10. “Operational Manual” means the manual adopted by the Project Implementing Entity, setting forth the procedures for implementation of the Project, as the same may be amended from time to time with the approval of the Bank, and such term includes any schedules to the Operational Manual.

11. “Original Loan Agreement” means the loan agreement between the Borrower and the Bank for the “IDP Living Standards and Livelihoods Project”, dated November 16, 2011, as amended to the date of this Agreement (Loan No 8096-AZ).


13. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 6, 2016 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.

14. “Project Account” means the project account used for the Borrower’s counterpart financing for the Project, referred to in Section 3.03 of this Agreement.

15. “Project Implementing Entity” means the Republic of Azerbaijan Social Fund for Development of IDP, an autonomous public agency of the Borrower, established pursuant to its Charter, or any other successor thereto.

16. “Project Implementing Entity’s Legislation” means the Charter of the SFDI, dated December 6, 1999, as amended to the date of this Agreement.

17. “RPF” means the Borrower’s Resettlement Policy Framework, dated December 2015 satisfactory to the Bank, for the carrying out of resettlement activities under the Project, as such Framework may be amended from time to time with the prior approval of the Bank.

18. “Selected IDP New Settlement” means the settlements built by the Borrower with the purpose of improving living conditions of IDPs and relocating them from temporary camps, selected in accordance with the criteria and procedures set forth in the Operational Manual to benefit from the Project.

19. “Small Grants” means grants made or proposed to be made by the Project Implementing Entity, out of the proceeds of the Loan, to finance eligible income generating activities under Part C.2 (b) and C.4 of the Project in accordance with the Project’s Operational Manual.

20. “Sub-loan” a loan made or proposed to be made by the Project Implementing Entity to eligible credit unions for the purpose of on-lending to Beneficiaries for
financing the expenditures incurred for goods, works and services for carrying out a Sub-project; and the term “Sub-loans” means, collectively, all such Sub-loans.

21. “Sub-project” means a sub-project for starting or scaling-up of small business to be carried out by Beneficiaries under Part C.3 and C.4 of the Project, eligible for financing under a Sub-loan in accordance with the procedures and eligibility criteria referred to in Section I.A.7 of the Schedule to the Project Agreement as set forth in the Operations Manual; and the term “Sub-projects” means, collectively, all such Sub-projects.

25. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to the Original Loan Agreement.

26. “Training” means expenses incurred in connection with carrying out training activities under the Project, including course fees, the travel costs and per diem for local trainees and trainers, study tours and workshops, rental of facilities and equipment and training material and related supplies.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

   “Section 3.01. Front-end Fee; Commitment Charge

   (a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

   (b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

   “19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

   “68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.