Loan Agreement

(Additional Financing for Second Highway Project)

between

REPUBLIC OF AZERBAIJAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated December 16, 2008
LOAN AGREEMENT

Agreement dated December 16, 2008, 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 Original Project (as defined in the Appendix to this Agreement). 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 three hundred million Dollars ($300,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("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 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 (d) of the General Conditions.
2.05. The Payment Dates are June 15 and December 15 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 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 4.04 (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 cause the Project to be carried out by the ARS 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) make an initial deposit in Manat into the Project Account of no less than five million Dollars equivalent ($5,000,000) within thirty (30) days of the first withdrawal under the Loan, and thereafter during each following month deposit into the Project Account the amounts required to cover the Borrower’s counterpart contributions for each such quarter, 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:

The Presidential Decree on the Measures to Improve Management of Transport and Road Complex (Decree No. 1992), dated February 22, 2007, or the Decree of the Cabinet of Ministers dated November 15, 2007 has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the ARS to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consists of the following:

The event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V - EFFECTIVE DATE; TERMINATION

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

(a) The Subsidiary Agreement has been executed on behalf of the Borrower and the ARS.
(b) The revised Operational Manual satisfactory to the Bank has been finalized and submitted to the Bank.

5.02. The Additional Legal Matter consists of the following.

The Subsidiary Agreement has been duly authorized or ratified by the Borrower and the ARS, and is legally binding upon the Borrower and the ARS in accordance with its terms.

5.03. 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 the Minister of Finance.

6.02. The Borrower’s Address is:

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

Telex:
142116 BNKSL

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

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

REPUBLIC OF AZERBAIJAN

By: /s/ Samir Sharifov
    Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Gregory Jedrzejczak
    Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to reduce road transport costs and improve access, transit and road safety by upgrading and rehabilitating selected sections of the existing East-West and North-South corridors.

The Project consists of the Original Project and the following revised and additional parts:

Part A: Road Improvement Program

3. Improvement of selected local roads connecting to the Alat-Masalli portion of the Alat-Astara-Iranian Border Highway (M3), the Baku-Shamakhi-Muganli road (M4), Ujar-Kurdemir road (M2) and the Tagiyev-Sahil Highway (R6).

7. Rehabilitation and upgrading of the Tagiyev – Sahil Highway (R6).

Part B: Institutional Strengthening and Project Administration

Institutional strengthening of the Ministry of Transport and ARS by supporting their on-going activities in road management systems and operations, as well as their long-term capacity building efforts, including provision of road maintenance equipment, consultants’ services, training, goods and related technical services.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall, until the completion of the Project, cause the ARS to maintain the PIU and shall ensure that the PIU is adequately staffed by personnel with qualifications and under terms of reference and functions at all times in accordance with procedures necessary and appropriate for the carrying out of the Project, and satisfactory to the Bank.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the ARS under a subsidiary agreement between the Borrower and the ARS, under terms and conditions approved by the Bank (“Subsidiary Agreement”).

2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Borrower shall ensure that all activities under the Project, which are financed out of the proceeds of the Loan, are carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

1. Except as the Bank shall otherwise agree, the Borrower shall: (a) apply the criteria, policies, procedures and arrangements set out in the Operational Manual, the EMF, and the RPF; and (b) not amend or waive, or permit to be amended or waived, the Operational Manual, the EMF, and the RPF, or any provision thereof, in a manner which, in the opinion of the Bank, may materially and adversely affect the implementation of the Project.
2. The Borrower shall:

(a) ensure that the ARS prepares RAPs according to the RPF;

(b) maintain or cause to be maintained and publicize or cause to be publicized, the availability of, grievance procedures to hear and determine fairly and in good faith, in accordance with the RPF, all complaints raised in relation to the implementation of the RAPs by those being resettled (as that term is defined in the RAP) or by those in host communities who are adversely affected by the implementation of the RPF, and take all measures necessary to implement the determinations made under such grievance procedures;

(c) through the ARS, employ a resettlement expert, satisfactory to the Bank, to conduct an ex post review of the implementation of the RAPs;

(d) through the ARS, furnish promptly to the Bank the findings and recommendations for follow up action resulting from each such review; and

(e) through the ARS, implement all such recommendations for follow up action as are agreed with the Bank.

3. The Borrower, through the ARS, shall:

(a) ensure that all activities undertaken for the purpose of carrying out of the Project comply with environmental standards and guidelines satisfactory to the Bank;

(b) ensure that the selection of any road section under Part A of the Project is done in accordance with the provisions of the EMF;

(c) ensure the complete implementation of the EMPs in a manner acceptable to the Bank, including all necessary measures to minimize and to mitigate any adverse environmental impacts caused by the implementation of the Project; and

(d) maintain the ARS’s environmental management office and its Maintenance Department with competent staff in adequate numbers and with such responsibilities and functions acceptable to the Bank as shall enable the ARS to manage, coordinate and monitor the implementation of the EMPs.
Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

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 agreed with the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than forty-five (45) days 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. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report 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 months after the end of such period.

Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the 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.

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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Limited International Bidding</td>
</tr>
<tr>
<td>(b) 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 shall not be used for simple works procurement and shall be conducted only for large works projects;</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 in tenders for the Government unless they are and can be shown to be legally and financially autonomous and they operate under commercial law;</td>
</tr>
<tr>
<td>(iv) No national preferences may be applied on the basis of the origin of products or labor;</td>
</tr>
<tr>
<td>(v) Joint venture partners shall be jointly and severally liable for their obligations;</td>
</tr>
<tr>
<td>(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;</td>
</tr>
<tr>
<td>(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</td>
</tr>
</tbody>
</table>
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; and

(x) Prior approval of the Bank shall be required for any modification in the contract scope and conditions during implementation.

(c) 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 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) Quality-based Selection</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 5.2 through 5.4 of the Consultant Guidelines for the Selection of Individual Consultants</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, consultants’ services, training and incremental operating costs for the Project</td>
<td>299,250,000</td>
<td>70%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>750,000</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) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount due under Section 2.07 (c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000,000</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 February 28, 2013.

Section V. Other Undertakings

A. 1. The Borrower shall ensure, through the ARS, that any road works to be carried out under Part A (3) of the Project with annual average daily traffic: (a) above 250 vehicles, have an economic rate of return of at least 12%; (b) between 150 and 250 vehicles, have an economic rate of return of at least 10%; and (c) below 150 vehicles, have an economic rate of return of at least 8%, all to be calculated in accordance with the methodology acceptable to the Bank.

2. The Borrower shall permit the use of standards recommended by the European Committee for Standardization on design and construction of roads and highways (in addition to the national standards) in the design and construction of road works under the Project.
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>June 15, 2012</td>
<td>2.42%</td>
</tr>
<tr>
<td>December 15, 2012</td>
<td>2.50%</td>
</tr>
<tr>
<td>June 15, 2013</td>
<td>2.59%</td>
</tr>
<tr>
<td>December 15, 2013</td>
<td>2.68%</td>
</tr>
<tr>
<td>June 15, 2014</td>
<td>2.78%</td>
</tr>
<tr>
<td>December 15, 2014</td>
<td>2.87%</td>
</tr>
<tr>
<td>June 15, 2015</td>
<td>2.97%</td>
</tr>
<tr>
<td>December 15, 2015</td>
<td>3.08%</td>
</tr>
<tr>
<td>June 15, 2016</td>
<td>3.19%</td>
</tr>
<tr>
<td>December 15, 2016</td>
<td>3.30%</td>
</tr>
<tr>
<td>June 15, 2017</td>
<td>3.41%</td>
</tr>
<tr>
<td>December 15, 2017</td>
<td>3.53%</td>
</tr>
<tr>
<td>June 15, 2018</td>
<td>3.66%</td>
</tr>
<tr>
<td>December 15, 2018</td>
<td>3.78%</td>
</tr>
<tr>
<td>June 15, 2019</td>
<td>3.92%</td>
</tr>
<tr>
<td>December 15, 2019</td>
<td>4.05%</td>
</tr>
<tr>
<td>June 15, 2020</td>
<td>4.20%</td>
</tr>
<tr>
<td>December 15, 2020</td>
<td>4.34%</td>
</tr>
<tr>
<td>June 15, 2021</td>
<td>4.49%</td>
</tr>
<tr>
<td>December 15, 2021</td>
<td>4.65%</td>
</tr>
<tr>
<td>June 15, 2022</td>
<td>4.81%</td>
</tr>
<tr>
<td>December 15, 2022</td>
<td>4.98%</td>
</tr>
<tr>
<td>June 15, 2023</td>
<td>5.16%</td>
</tr>
<tr>
<td>December 15, 2023</td>
<td>5.34%</td>
</tr>
<tr>
<td>Date</td>
<td>Interest Rate</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>June 15, 2024</td>
<td>5.52%</td>
</tr>
<tr>
<td>December 15, 2024</td>
<td>5.78%</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.

5. If the Withdrawn Loan Balance is denominated in more than one 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

Definitions

1. “ARS” means the “Azerroadservice” Open Joint-stock Company, or Azerbaijan Road Service, which is also the Project Implementing Entity, established as an Open Joint-stock Company through the Presidential Decree on the Measures to Improve Management of Transport and Road Complex (Decree No. 1992), dated February 22, 2007, and Decree of the Cabinet of Ministers, dated November 15, 2007, whose responsibilities were transferred from the Road Transport Service Department LLC (RTSD) within the Borrower’s Ministry of Transport, which was established by the Order of the Ministry of Transport of the Borrower (Order No. 03), dated June 23, 2003.


3. “Category” means a category set forth in the table in Section IV of Schedule 4 to this Agreement.

4. “EMF” means the Environmental Management Framework, dated November 16, 2005, outlining the procedures for the environmental screening, management, consultation and disclosure related to the selection of the road sections under the Project.

5. “EMP” means the Environmental Management Plan, dated December 3, 2005, or any other Environmental Management Plan to be prepared by the Borrower in accordance with the EMF and approved by the Bank, describing environmental mitigation, monitoring and institutional measures for selected road sections under the Project.


7. “Fiscal Year” means the fiscal year of the Borrower starting from January 1 of each year.

9. "Incremental Operating Costs" means the incremental expenses incurred by the PIU on account of reasonable and necessary activities directly related to the Project implementation, management and monitoring, including office supplies, travel and salaries, but excluding the salaries of the civil servants, and any other expenditures that may be agreed upon by the Bank.


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

12. “Operational Manual” means the manual, outlining, inter alia, the institutional, disbursement, procurement, and environmental and social management arrangements for the implementation of the Project, dated May 3, 2006, as the same may be amended from time to time with approval of the Bank, and such term includes any schedules to the Operational Manual.

13. “Original Loan Agreement” means the loan agreement for a Second Highway Project between the Borrower and the Bank, dated May 16, 2006, as amended to the date of this Agreement (Loan No. 7356-AZ).

14. “Original Project” means the Project described in the Original Loan Agreement.

15. “PIU” means the Project Implementation Unit as established by the Borrower’s internal order (Order No. 16k), dated May 1, 2001 within the ARS.


17. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated March 6, 2008 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.

18. “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.

19. “RAP” means the Resettlement Action Plan prepared by the Borrower as implementing recommendation of the RPF (as hereinafter defined) for selected road sections under the Project.

20. RPF” means the Resettlement Policy Framework, dated November 18, 2005, defining the modalities for land acquisition, resettlement and rehabilitation of displaced persons under Part A of the Project.
21. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.

22. "Training" means expenses incurred by the Borrower and the PIU in connection with carrying out training activities under the Project including travel costs and per diem for local trainees and trainers, study tours and workshops, rental of facilities and equipment and training materials and related supplies.

23. "VAT" means the value-added tax, levied in the territory of the Borrower.