Loan Agreement

(Third East West Highway Improvement Project)

between

GEORGIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated September 18, 2009
LOAN AGREEMENT

Agreement dated September 18, 2009, between GEORGIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). 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 one hundred and forty seven million United States Dollars (US$147,000,000), 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 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower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 January 15 and July 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 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 the Project in accordance with the provisions of Article V of the General Conditions.

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.
ARTICLE IV - REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following: that the Borrower shall have failed to notify, and provide adequate information to the Bank before entering into a concession agreement for the operation and maintenance of the East-West Highway financed under the Project or the Bank shall have raised objections to the Borrower entering into such agreement.

ARTICLE V - EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following:

(a) The RD has established the FPU with organization, qualifications and terms of reference satisfactory to the Bank.

(b) The Borrower has submitted to the Bank the Operations Manual in form and substance satisfactory 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 the Minister of Finance.

6.02. The Borrower’s Address is:

Ministry of Finance
16 Gorgasali Street
0105 Tbilisi
Georgia

Facsimile:
995-32-261461

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 64145(MCI)
Facsimile: 1-202-477-6391
Washington, D.C.

AGREED at Tbilisi, Georgia, as of the day and year first above written.

GEORGIA

By /s/ Kakha Baindurashvili
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Asad Alam
Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are: (a) to contribute to the gradual reduction of road transport costs and improve access, ease of transit, and road safety along the central part of the Borrower’s East-West corridor; and (b) strengthen the capacity of RD and relevant government entities to plan and manage the road network and to improve road safety.

The Project consists of the following parts:

Part A: Sveneti-Ruisi Road Link

Upgrading the existing E60 East-West Highway from Sveneti to Ruisi to a dual carriageway road including: (i) partial rehabilitation of the existing road; (ii) realignment and construction of new carriageways; (iii) surface drainage, culverts and underpasses; (iv) bridges, including road approaches, particularly a bridge of about 877 meters long over the Liakhvi River and an existing railway line; (v) two tunnels of about 800 meters long; (vi) safety barriers, road signs and marking; (vii) demolition of existing structures and relocation of various utilities; (viii) construction supervision services; and (ix) design services for future investments in the road sector, all through the carrying out of works and the provision of goods and consultants’ services.

Part B: Institutional Strengthening

1. Strengthening the capacity of the RD to improve its operational effectiveness through: (i) carrying out a functional analysis for establishing the appropriate organizational structure for the RD to meet its current and anticipated future needs; (ii) improving the capacity of the RD to plan, design, manage and maintain the road network; and (iii) strengthening the RD capacity in environmental monitoring, through provision of goods, consultants’ services and training.

2. Developing a framework for the introduction of performance based contracts (PBC) for main roads’ maintenance, through provision of consultants’ services.

3. Improving road safety along the entire E60 East-West Highway corridor by preparing and implementing a corridor road safety management plan to cover engineering, enforcement, emergency response and publicity campaigns, through the provision of goods, consultants’ services, and training.

4. Strengthening the curriculum and training at the technical university, including provision of training for lecturers, twinning with overseas universities, as well as provision of consultants’ services and goods.
Part C: Project Implementation

Institutional support to the RD and the TRRC related to Project implementation, audits and Project monitoring and evaluation.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall carry out the Project through the RD with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, public utility, environmental practices and in accordance with the Operations Manual and shall provide the RD with the resources and staff necessary for implementing the Project. The RD shall be responsible for the overall coordination and oversight of the Project implementation.

2. Pursuant to the terms and conditions of the Project Implementation Agreement, the RD shall be assisted in Project-related financial management and disbursement by the TRRC. The Borrower shall: (a) maintain the TRRC with terms of reference, resources and staff necessary for proper Project implementation and satisfactory to the Bank; and (b) require TRRC to carry out the financial management and disbursement for the Project in accordance with the Project Implementation Agreement.

3. During Project implementation, the RD shall maintain the FPU with terms of reference, resources and staff necessary for proper Project implementation and satisfactory to the Bank to assist RD in Project-related procurement, monitoring and evaluation and Project reporting.

4. The Borrower shall permit the use of standards for construction, planning and design of highways adopted by the European Union (in addition to the national standards), acceptable to the Bank, in the design, construction and maintenance of road works under the Project.

5. The Borrower shall ensure that adequate budgetary resources are made available for the Project in the Borrower’s annual budget for the duration of the Project.

6. By not later than December 31, 2009, the Borrower shall, through the RD, recruit a financial auditor under terms of reference and conditions satisfactory to the Bank.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
C. **Safeguards**

1. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the EIA, EMP, RPF and RAP. The Borrower shall not assign, amend, abrogate or waive the EIA, EMP, RPF and/or RAP or any provision thereof, without the prior approval of the Bank.

2. The Borrower shall, prior to the commencement of works under the Project, ensure that: (a) the provisions of the EMP are adequately included in the proposed contract(s) for said works; and (b) the owners and users of the land where said works are to be implemented are fully compensated in accordance with the provisions of the RAP.

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

A. **Project Reports**

The Borrower shall, through RD, 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 semester, shall include the reporting on the status of the implementation of the RAP 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, through RD, 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, through RD, 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 cause RD to have its Financial Statements related to the Project 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 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) National Competitive Bidding, subject to the additional provisions set forth in below:</td>
</tr>
<tr>
<td>(i) “Open competitive procedures” (i.e. “public tender” rather than “tender”) shall be the default rule. A single envelope procedure shall be used for the submission of goods, works, or technical services (other than consultants’ services).</td>
</tr>
<tr>
<td>(ii) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids. Advertisements published in foreign</td>
</tr>
</tbody>
</table>
## Procurement Method

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>language newspapers shall be in compliance with such a 30-day-minimum in number of days for bids preparation and submission.</td>
<td></td>
</tr>
<tr>
<td>(iii)</td>
<td>Bidding shall not be restricted to pre-registered firms. If registration is required, it shall not be denied to eligible bidders for reasons unrelated to their capacity and resources to successfully perform the contract (e.g., mandatory membership in professional organizations, classification, etc). Post-qualification shall be conducted to verify that the bidder has the capability and resources to successfully perform the contract.</td>
</tr>
<tr>
<td>(iv)</td>
<td>Government-owned enterprises in Georgia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the Government. Government-owned enterprises will be subject to the same bid and performance security requirements as other bidders.</td>
</tr>
<tr>
<td>(v)</td>
<td>Procuring entities shall use the appropriate Bank’s sample bidding documents, including pre-qualification documents, for the procurement of goods, works, or technical services (other than consultants' services), and such documents shall contain draft contract and conditions of contract including clauses on fraud and corruption, audit and publication of award, all acceptable to the Bank.</td>
</tr>
<tr>
<td>(vi)</td>
<td>Bids shall be opened in public, immediately after the deadline for submission of bids. Bidder’s representatives shall be permitted to attend the bid opening.</td>
</tr>
<tr>
<td>(vii)</td>
<td>Extension of bid validity shall be allowed once only for not more than thirty (30) days. No further extensions should be requested without the prior approval of the Bank.</td>
</tr>
<tr>
<td>(viii)</td>
<td>Evaluation of bids shall be based on quantifiable criteria expressed in monetary terms as defined in the bidding documents, no merit point system and no domestic preference shall be used in the evaluation of bids. Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid and no negotiations shall be carried out prior to contract award.</td>
</tr>
<tr>
<td>(ix)</td>
<td>Civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.</td>
</tr>
</tbody>
</table>
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) 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 (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works, Consultants’ Services, Training and Incremental Operating Costs for the Project</td>
<td>146,532,500</td>
<td>80%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>100,000</td>
<td>80%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>367,500</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>(4) 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>147,000,000</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: (a) payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US$29,400,000 equivalent may be made for
payments made prior to this date but on or after July 6, 2009, for Eligible Expenditures under Category (1) and/or Category (2); and (b) payments made under Category (2) unless the Bank has received an acceptable plan for the use of the equipment, including staff to receive and use the equipment, methods and procedures for equipment usage, and organizational and operational changes required to effectively utilize this equipment.

2. The Closing Date is June 30, 2013.
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 January 15 and July 15</td>
<td>2%</td>
</tr>
<tr>
<td>Beginning January 15, 2015 through July 15, 2039</td>
<td></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

Section I. Definitions


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


4. “EIA” means the Borrower’s environmental impact assessment, acceptable to the Bank dated July 3, 2009, consisting of inter alia: (i) a description of the site where construction activities are to be carried out under Part A of the Project and the justification for said activities; (ii) the actual or potential environmental impact of the construction activities referred to under sub-paragraph (i) above; and (iii) an environmental management plan setting forth adequate mitigating measures and systems required to monitor the implementation of the construction activities referred to under sub-paragraph (i) above and to ensure compliance of such activities with said measures with a view to limiting any actual and potential adverse environmental impact.

5. “EMP” means the Borrower’s Environmental Management Plan, acceptable to the Bank, dated July 3, 2009, which is Chapter 8 of the EIA and is referred to in Part C of Section I of Schedule 2 to this Agreement, describing the environmental mitigation, monitoring and institutional measures to be undertaken during the implementation of the Project, and satisfactory to the Bank.

6. “FPU” means the Foreign Projects Unit established within RD in accordance with Section 5.01(a) of this Agreement.

7. “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.

8. “Incremental Operating Costs” means reasonable and necessary incremental expenses incurred by the Borrower with respect to Project implementation, management and monitoring, including the costs of staff salaries (excluding salaries of the Borrower’s civil service staff), communication, editing, printing and publication, translation, vehicle operation and maintenance, bank charges,
local travel costs and field trip expenses, office rentals, utilities, equipment and supplies.

9. “Operations Manual” means the Borrower’s operations manual referred to in Section 5.01(b) of this Agreement as such manual may be updated from time to time by agreement between the Borrower and the Bank.


11. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated July 6, 2009 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.

12. “Project Implementation Agreement” means the agreement between the RD and the TRRC, dated August 23, 2004, as amended on July 3, 2009, setting forth the obligations of both parties in relation to the Project implementation in a manner satisfactory to the Bank.

13. “RAP” means the Borrower’s resettlement action plan, dated July 3, 2009, satisfactory to the Bank, to be prepared and implemented for carrying out the Project in accordance with the RPF (as hereinafter defined), to set out, inter alia, the principles and objectives of the RAP, the affected persons’ eligibility criteria, compensation, assistance and rehabilitation entitlements, as well as the monitoring and reporting arrangements in conformity with the RPF.

14. “RD” means the Borrower’s Roads Department of the Ministry of Regional Development and Infrastructure responsible for managing the Borrower’s road network or any legal successor thereto.

15. “RPF” means the Borrower’s resettlement policy framework, acceptable to the Bank, dated April 2009, and referred to in Part C of Section I of Schedule 2 to this Agreement, describing the policies, procedures, plans and actions (including the resettlement action plan), and institutional measures related to land acquisition and other social impacts that may arise during the Project and other phases related to the Project, and satisfactory to the Bank.

16. “Training” means expenditures incurred by the Borrower in connection with Project-related study tours, training courses, seminars, workshops and other training activities, including travel and per diem costs of trainees and trainers.
17. “TRRC” means the Eurasia Transport Corridor Investment Center/Transport Reform and Rehabilitation Center established pursuant to President’s Order No. N-161, dated April 21, 2000, or any legal successor thereto.

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.”

3. 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.”