Loan Agreement

(Agricultural Competitiveness Improvement Project)

between

REPUBLIC OF AZERBAIJAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 12, 2014
LOAN NUMBER 8286-AZ

LOAN AGREEMENT

Agreement dated June 12, 2014, between the REPUBLIC OF AZERBAIJAN ("Borrower") and the 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 thirty four million and five hundred thousand United States Dollars (US$34,500,000), 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 the Reference Rate 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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(e) of the General Conditions.

2.05. The Payment Dates are April 1 and October 1 in each year.
2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (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 objectives of the Project. To this end, the Borrower shall carry out the Project through SAAC 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 Operational Manual,
the Agribusiness Investment Guidelines and the provisions of Schedule 2 to this Agreement.

3.03. Without limitation upon the provisions of Section 3.01 and except as the Borrower and the Bank shall otherwise agree, 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:

(a) The law, decree, charter or other founding documents of the PMU, or any legal or regulatory enactments upon which the authority for the PMU to implement the Project are based, has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the PMU to perform any of its obligations under this Agreement.

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

(a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Borrower has adopted the Project Operational Manual, 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 of the Borrower.

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 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: ________________________________
    Authorized Representative

Name: Haydar Khanish Asadov

Title: Minister for Agriculture

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

By: ________________________________
    Authorized Representative

Name: Larisa Leshchenko

Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to facilitate the access of agricultural producers to markets by strengthening sanitary and phytosanitary services, enhancing selected value chains and providing financial services to agribusiness enterprises.

The Project consists of the following parts:

Part A: Support for sanitary and phytosanitary services

Strengthening the efficiency and effectiveness of sanitary and phytosanitary services in order to reduce existing obstacles to agricultural and food trade:

1. Food safety capacity building through the establishment of a national food safety training center and implementing comprehensive training program.

2. Upgrading the State Phytosanitary Control Services (SPCS) by: (a) strengthening pest diagnostic capacity through provision of equipment for SPCS laboratories and Training; (b) enhancing pest control and pest risk analysis capacity through the provision of goods, consultants’ services and Training; and (c) supporting biological control program and promoting integrated pest management through the provision of goods, consultants’ services and Training.

3. Enhancing animal health and veterinary services by: (a) enhancing access to quality-assured veterinary services to strengthen the State Veterinary Service (SVS) field units and promotion of a complimentary private veterinary service; (b) strengthening the disease surveillance and preparedness functions of the SVS by implementing animal disease control programs and development of an animal disease control information system; and (c) providing support to veterinary education, including upgrading the veterinary faculty of the Azerbaijan State Agricultural University, all through the provision of goods, consultants’ services and Training.

Part B: Agribusiness value chain development

1. Development of the agribusiness value chain through: (a) provision of Training, consultants’ services, workshops and awareness campaigns for value chain participants to assist them in establishing productive partnerships and preparing Value-chain Sub-project proposals; and (b) provision of Grants to finance eligible demand-driven Individual Investments under Value-chain Sub-projects for the development of value chains in accordance with the Operational Manual.

2. Provision of goods, consultants’ services and Training to support: (a) seed research and variety development program; (b) seed production and processing
capabilities; (c) state seed inspection and variety testing services and seed testing laboratories; and (d) private seed growers.

**Part C: Financial services to agribusiness**

Enhancing the financial services to agribusiness through:

1. The expansion of access to rural financial services provided by eligible PFIs through the provision of Sub-loans and Lease Financing to agribusiness enterprises (Sub-loan Beneficiaries and/or Lease Financing Beneficiaries) in accordance with the AIG.

2. The implementation of a capacity building program to improve skills in agricultural lending through provision of consultants' service and Training.

3. Support to the development of the agricultural insurance program through the provision of consultants' services and Training.

**Part D: Project Management**

Support of the PMU for the effective implementation of the Project, through provision of goods, works, consultants' services, Training and Operating Costs.
SCHEDULE 2

Project Execution

Section 1. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall vest the overall responsibility for the implementation of the Project in SAAC. The Borrower shall ensure that SAAC shall carry out the Project in accordance with the Operational Manual and, except as the Bank shall otherwise agree, shall not amend, suspend, abrogate, repeal or waive any provision of said Manual without the prior written approval of the Bank.

2. The Borrower shall, until the completion of the Project, maintain the PMU within SAAC and shall ensure that the PMU 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. The functions of the PMU shall include, inter alia, responsibility for: (a) the day-to-day management of the Project; (b) the procurement process, financial management and the preparation of withdrawal applications under the Project; and (c) monitoring and evaluation of the Project in accordance with terms of reference acceptable to the Bank.

3. The PMU shall, by not later than June 1, 2014, establish and thereafter maintain, the Evaluation Committee for the purpose of appraising and evaluating Sub-projects in accordance with the composition, terms of reference and criteria set forth in the Operational Manual.

4. The Borrower shall, by not later than August 1, 2014, establish and thereafter maintain the AGAC which shall include representatives of Ministry of Agriculture, Ministry of Economy and Industry, private sector rural businesses, and the agriculture research system. AGAC shall review the processing of all registered proposals and provide the final approval of the qualified Sub-projects for the respective region under Part B.1(b) of the Project.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
C. Eligibility Criteria and Procedures for Provision of Grants under Part B.1(b) of the Project

1. For the purpose of carrying out Part B.1(b) of the Project, the Borrower shall make Grants to Beneficiaries to finance Individual Investments under the respective Value-chain Sub-project in accordance with eligibility criteria and procedures acceptable to the Bank, which shall include the following:

(a) The Grant(s) shall be denominated in Manat.

(b) The Grants for financing Individual Investments under the respective Value-chain Sub-project under Part B.1(b) of the Project shall be:

(i) made available to: (A) private agribusiness enterprises, farmers’ groups involved in agribusiness supply chain; and (B) any other associations and organizations as the Borrower and the Bank may agree, subject to the eligibility criteria set forth in the Operational Manual; and

(ii) used to finance Individual Investments which meet eligibility criteria acceptable to the Bank as set forth in the Operational Manual.

(c) The Evaluation Committee shall appraise and evaluate Value-chain Sub-projects proposals in accordance with the criteria set forth in the Operational Manual including the following: (i) the commercial viability of the proposed Value-chain Sub-project; (ii) the distribution of benefits to stakeholders along the value chain; (iii) the ability of the Beneficiary to generate sufficient co-financing (from own resources or through borrowing) for the Beneficiary’s contribution; (iv) the demonstrated linkages between value chain participants; and (v) the compliance with the EMP. Qualified Value-chain Sub-projects shall thereafter be submitted to AGAC along with the recommendations of the Evaluation Committee for final approval.

(d) Any Value-chain Sub-project involving land acquisition or involuntary resettlement shall not be eligible for consideration.

(e) The amount of an individual grant shall be based upon the estimated cost of goods, works, services and Training that will be required for the respective Individual Investment, and shall not exceed 95% of the overall cost of the Individual Investment.
2. The Borrower shall make each Grant under an Investment Support Agreement with the respective Beneficiary on terms and conditions approved by the Bank, which shall include the following:

(a) The Beneficiary shall ensure that the grant funds are used exclusively for the purposes specified for the Individual Investment under the respective Value-chain Sub-project approved by the AGAC.

(b) The Beneficiary shall provide no less than 5% of the total cost of the Individual Investment, in cash or in kind.

(c) The Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Grant, or obtain a refund of all or any part of the amount of the Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Investment Support Agreement; and (ii) require each Beneficiary to: (A) carry out its Individual Investment with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Grant in accordance with the provisions of this Agreement and the Operational Manual; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Individual Investment and the achievement of the objectives of the respective Value-chain Sub-project; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Individual Investment; and (2) at the Bank’s or the Borrower’s request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (F) enable the Borrower and the Bank to inspect the Individual Investment, its operation and any relevant records and documents; and (G) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

(d) The Borrower shall exercise its rights under each Investment Support 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 any Investment Support Agreement or any of its provisions.

D. Eligibility Criteria and Procedures for Subsidiary Loans, Sub-loans and Lease Financing under Part C.1 of the Project

1. For the purposes of Part C.1 of the Project, the Borrower shall ensure that Subsidiary Loans, Sub-loans and Lease Financing are made in accordance with the criteria and procedures set forth in the Agribusiness Investment Guidelines and on terms and conditions referred to in this Section of this Agreement.

2. The Borrower shall make Subsidiary Loans to eligible PFIs under Subsidiary Loan Agreements to be entered into between the Borrower and each eligible PFI. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any of its provisions. Such terms and conditions shall include the following:

(a) The Borrower shall exercise its rights under each Subsidiary Loan Agreement in such manner as to protect the interest of the Borrower and the Bank and to accomplish the purposes of the Project, and the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(b) The Subsidiary Loans to eligible PFIs shall be made available in Dollars and/or Manat.

(c) Unless the Borrower and the Bank shall otherwise agree: (i) the interest rate on the Subsidiary Loans dominated in Manat shall be the refinancing rate set forth by the central Bank of Azerbaijan; (ii) the interest rate on the Subsidiary Loans dominated in Dollars shall be the total cost of the Loan plus a minimum of 1% margin. These interest rates shall be revised semi-annually in accordance with the provisions stipulated in the Agribusiness Investment Guidelines.

(d) The interest shall be charged by the eligible PFI on the principal of each Sub-loan or Lease Financing withdrawn respectively by the Sub-loan Beneficiary or the Lease Financing Beneficiary under Part C.1 of the Project and outstanding from time to time, at the prevailing interest rate under the Subsidiary Loan Agreement plus a market-based spread determined by the PFI.

(e) The Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to: (i) suspend or terminate the
right of the PFI to use the proceeds of the Subsidiary Loan, or obtain a refund of all or any part of the amount of the Subsidiary Loan then withdrawn, upon the PFI’s failure to perform any of its obligations under the Subsidiary Loan Agreement; and (ii) require each Sub-loan Beneficiary and each Lease Financing Beneficiary under the respective Sub-Loan Agreement or Lease Financing Agreement to: (A) carry out its respective Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower for Sub-projects which require an environmental management plan require the Sub-loan Beneficiaries and Lease Financing Beneficiaries to carry out such plans in a timely manner; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Sub-loan in accordance with the provisions of this Agreement and the Agribusiness Investment Guidelines; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Bank’s or the Borrower’s request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (F) enable the Borrower and the Bank to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

3. Eligibility criteria of the PFI set forth in the Agribusiness Investment Guidelines include the following:

(a) It is a commercial bank or a majority privately owned leasing company legally registered in the territory of the Borrower.

(b) It has been found satisfactory after undergoing a due diligence process by the Borrower and the Bank.

(c) It has been in compliance with all applicable laws and prudential regulations of the Borrower.
(d) It has been servicing or is developing capability to service agribusiness.

(e) It has undergone an annual audit, with an unqualified audit opinion according to the International Standards on Auditing, by an audit firm acceptable to the Bank.

4. Eligible Sub-projects under Part C.1 of the Project shall include: (i) the investment in support of enhanced competitiveness of agri-businesses, access to new technologies, equipment and process upgrades for food safety compliance, and improved market access through establishment of market linkages, and product innovation, quality and safety; and (ii) innovative structured finance products, to support development of market linkages and supply chains.

5. Following the execution of the Subsidiary Loan Agreement, each PFI shall enter into: (a) a Sub-loan Agreement with each of the Sub-loan Beneficiary; and (b) a Lease Financing Agreement with each Lease Financing Beneficiary, under Part C.1 of the Project on terms and conditions acceptable to the Bank, as set forth in the Agribusiness Investment Guidelines.

E. Safeguards

1. The Borrower shall carry out the Project in accordance with the provisions of the EMP and PMP and shall ensure that no activity shall be undertaken under the Project involving the involuntary acquisition of land or involuntary resettlement of occupants or owners of such land. The Borrower shall not assign, amend, abrogate or waive the EMP and/or PMP or any provision thereof, without the prior approval of the Bank.

2. Without limitation on the provisions of paragraph 1 of this Section, the Borrower shall ensure that the Value-chain Sub-project(s) and Sub-project(s) are carried out respectively by Beneficiaries and Sub-loan Beneficiaries in accordance with the provisions of the EMP and PMP including preparation and carrying out of site-specific environmental management plans when required by the EMP and that no activity shall be undertaken under the said Value-chain Sub-project(s) and/or Sub-project(s) involving the involuntary acquisition of land or involuntary resettlement of occupants or owners of such land.

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 indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, 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 methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

<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) 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>(iii) no national preferences may be applied on the basis of the origin of products or labor;</td>
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<tr>
<td>(iv) joint venture partners shall be jointly and severally liable for their obligations;</td>
</tr>
<tr>
<td>(v) 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>(vi) 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;</td>
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<tr>
<td>(vii) rebidding shall not be carried out without prior approval of the Bank;</td>
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<tr>
<td>(viii) works contracts of more than eighteen (18) months’ duration shall include appropriate price adjustment provisions;</td>
</tr>
<tr>
<td>(ix) prior approval of the Bank shall be required for any modification in the contract scope and conditions during implementation; and</td>
</tr>
<tr>
<td>(x) standard bidding documents approved by the Bank shall be used.</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>
**Procurement Method**

| (d) | Procedures set forth in paragraph 3.13 of the Procurement Guidelines for goods, works and non-consulting services under Parts B and C of the Project and 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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in Paragraph 3.13 of the Consultant Guidelines and in the Operational Manual for Parts B and C of the Project; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.

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, consultants’ services including audit, Training, Incremental Operating Costs, Serological Survey Fees, Vaccination Fees, Grants, Lease Financing and Sub-loans</td>
<td>34,413,750</td>
<td>72%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>86,250</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 2.07(c) of this Agreement</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>34,500,000</strong></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, 2018.
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>October 1, 2017</td>
<td>2.59%</td>
</tr>
<tr>
<td>April 1, 2018</td>
<td>2.67%</td>
</tr>
<tr>
<td>October 1, 2018</td>
<td>2.75%</td>
</tr>
<tr>
<td>April 1, 2019</td>
<td>2.83%</td>
</tr>
<tr>
<td>October 1, 2019</td>
<td>2.92%</td>
</tr>
<tr>
<td>April 1, 2020</td>
<td>3.00%</td>
</tr>
<tr>
<td>October 1, 2020</td>
<td>3.09%</td>
</tr>
<tr>
<td>April 1, 2021</td>
<td>3.19%</td>
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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. “AGAC” means the advisory and grant approval committee to be established pursuant to Section I.A.4 of Schedule 2 to this Agreement.

2. “AIG” or “Agribusiness Investment Guidelines” means the set of the rules and regulations, acceptable to the Bank, adopted by the Borrower for the implementation of Part C.1 of the Project, as the same may be amended from time to time with the agreement of the Bank.


4. “Beneficiary” means a recipient of a grant under Part B.1(b) of the Project, meeting the criteria referred to in paragraph 1 of Part C of Section I of Schedule 2 to this Agreement, and “Beneficiaries” means any group of said Beneficiary.

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


7. “EMP” means the environmental management plan, satisfactory to the Bank adopted by the Borrower and submitted to the Bank on November 19, 2012, setting forth: (a) measures to mitigate any adverse impacts to the environment under the Project; and (b) policies and procedures for environmental screening of an Individual Investment for the respective Value-chain Sub-project under Part B.1 of the Project and Sub-projects under Part C.1 of the Project as well as specifying requirements for environmental mitigation measures to be included in environmental management plans for such Sub-projects.

8. “Evaluation Committee” means a committee established in accordance to the provision of Section I.A.3 of Schedule 2 to this Agreement.


10. “Grant(s)” means financing of Individual Investment(s) under Part B.1(b) of the Project in accordance with the Operational Manual.
11. "Incremental Operating Costs" means operating costs incurred by the PMU on account of Project implementation for costs of office and vehicle operation and maintenance, utilities, minor office equipment, minor office repairs, office rent, salaries of staff in the PMU, excluding those who are civil servants, eligible social charges, translation services, communication and printing, transportation, local business trip expenditures, banking charges and any other reasonable and necessary activities directly related to Project implementation, management and monitoring as may be agreed upon by the Bank.

12. "Individual Investment" means the investment carried out by a Beneficiary using the proceeds of a Grant under the respective Value-chain Sub-project under Part B.1(b) of the Project.

13. "Investment Support Agreement" means the agreement to be entered into between the Borrower and each Beneficiary for the provision of Grants for financing an Individual Investment for a Value-chain Sub-project under Part B.1(b) of the Project, as the same may be amended from time to time, and such a term includes all schedules and agreements supplemental to the Investment Support Agreement.

14. "Lease Financing" means financing provided or to be provided by a PFI to a Lease Financing Beneficiary for purposes of financing the lease of (with the option to purchase) vehicles, equipment and/or machinery for purposes of carrying out a Sub-project, involving the periodical payment to the PFI of a lease payment as set forth in the Agribusiness Investment Guidelines.

15. "Lease Financing Agreement" means the agreement to be entered into between the PFI and Lease Financing Beneficiary pursuant to the Agribusiness Investment Guidelines, as the same may be amended from time to time, and such term includes all schedules supplemental to the Lease Financing Agreement.

16. "Lease Financing Beneficiary" means any individual, private enterprise, farmer or farmers' association who is either engaged in or intends to engage with support of Lease Financing in any agribusiness activity in a rural area, including processing, marketing, distribution, trade, service and production activities, duly registered pursuant to the laws of the Borrower, to which a PFI proposes to make or has made a Lease Financing.

17. "Manat" means the lawful currency of the Borrower.

18. "Operational Manual" means the Borrower's manual satisfactory to the Bank, setting forth the policies and guidelines, as well as comprehensive operating procedures for the Project, including the selection criteria and procedures for Part B.1(b) of the Project and the functioning of the PMU, as the same may be amended from time to time by agreement between the Bank and the Borrower.
19. "PFI" means a commercial bank or leasing company which meets the criteria set forth in the Agribusiness Investment Guidelines, selected for the provision of the Sub-loans and/or Lease Financing under Part C.1 of the Project.

20. "PMP" means the pest management plan, satisfactory to the Bank and adopted by the Borrower and submitted to the Bank on August 30, 2012, setting forth the recommendations on the introduction of environmentally sustainable pest management practices aimed at minimizing potential adverse impacts on human health and the environment associated with pest control and the use of pesticides, from which the Borrower has identified interventions supported by the Project.

21. "PMU" means the Project Management Unit, the entity responsible for the day-to-day activities and the implementation of the Project, and established pursuant to the Charter of the State Agency for Agricultural Credits of the Borrower approved by the Presidential Decree (No. 226) dated April 20, 2005, or any successor thereto acceptable to the Bank.


23. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated July 19, 2013 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.

24. "Project Account" means the account to be opened pursuant to Section 3.03 of this Agreement, maintained by the Borrower in local currency and to be used for financing the Borrower’s contribution to the Project expenditures.

25. "SAAC" means the State Agency for Agricultural Credits under the Borrower’s Ministry of Agriculture, in charge of overseeing international rural development projects, or any successor thereto acceptable to the Bank.

26. "Serological Survey Fees" means the costs incurred by the Borrower on account of fees paid to authorized human doctors and veterinarians for blood sampling and associated expenses under Part A.3(b) of the Project.

27. "State Phytosanitary Control Services" means the state authority for plant protection and quarantine under the Ministry of Agriculture, operating in accordance with Presidential Decree No. 226 dated April 20, 2005.

28. "Sub-loan" means a loan made or proposed to be made by the PFI to the Sub-loan Beneficiaries under Part C.1 of the Project, in accordance with the
Agribusiness Investment Guidelines for the purpose of financing costs for carrying out of a Sub-project.

29. “Sub-loan Agreement” means an agreement entered into between a PFI and a Sub-loan Beneficiary under Part C.1 of the Project, for the purpose of financing a Sub-project.

30. “Sub-loan Beneficiary” means an individual or legal entity that intends or already is engaged in agricultural economic activities in rural areas under a Sub-loan Agreement under Part C.1 of the Project.

31. “Sub-project” means a specific development project or activity to be carried out by the Sub-loan Beneficiary or the Lease Financing Beneficiary, utilizing the proceeds of a Sub-loan or a Lease Financing respectively under Part C.1 of the Project.

32. “Subsidiary Loan” means a loan provided by the Borrower to a selected PFI, in accordance with the terms and conditions of the respective Subsidiary Loan Agreement.

33. “Subsidiary Loan Agreement” means an agreement between the Borrower and the respective PFI for the purpose of implementation of Part C.1 of the Project.

34. “Training” means expenditures for Project related training courses, seminars, workshops, study tours and other training activities not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, travel and per diem costs of trainees and trainers.

35. “Vaccination Fees” means costs incurred by the Borrower on account of fees paid to authorized veterinarians for providing vaccination to animals under Part A.3(b) of the Project.

36. “Value-chain Sub-project” means a specific development value chain sub-project or activity composed of Individual Investments to be carried out by the respective Beneficiaries, utilizing the proceeds of a Grant under Part B.1(b) of the Project in accordance with the requirements set forth in the Operational Manual.