Financing Agreement

(Third Highway Project)

between

REPUBLIC OF AZERBAIJAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 11, 2010
FINANCING AGREEMENT

AGREEMENT dated August 11, 2010, entered into between REPUBLIC OF AZERBAIJAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association 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 - FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to forty six million and two hundred thousand Special Drawing Rights (SDR 46,200,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are June 15 and December 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
The Payment Currency is the United States dollars.

ARTICLE III - PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by ARS in accordance with the provisions of Article V of the General Conditions and the Subsidiary Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient 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 Recipient shall:

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

(b) replenish, on a monthly basis, the Project Account opened pursuant to Section 5.01 (b) of this Agreement up to the original level of no less than two million Manats, and thereafter during each following month deposit into the Project Account the amounts required to cover the Recipient’s counterpart contributions, as determined by the Recipient and the Association; and

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

ARTICLE IV - REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following: that the Presidential Decree on the Measures to Improve Management of Transport and Road Complex (Decree No. 1992), dated February 22, 2007, or the Decision No. 180 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 Subsidiary Agreement.
4.02. The Additional Event of Acceleration consists of the following: that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V - EFFECTIVENESS; TERMINATION

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

(a) the Subsidiary Agreement has been executed by the Ministry of Finance and the Ministry of Transport on behalf of the Recipient, and the ARS, under terms and conditions acceptable to the Association;

(b) the Project Account has been opened by the Recipient in a local commercial bank satisfactory to the Association, and an initial deposit in an amount of not less than two million Manat has been made by the Recipient into such account; and

(c) the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to request disbursement thereunder, except only the effectiveness of this Agreement, have been fulfilled.

5.02. The Additional Legal Matter consists of the following: that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the ARS and is legally binding upon the Recipient as represented by the Ministries of Finance and Transport 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 Recipient’s Representative is its Minister of Finance.

6.02. The Recipient’s Address is:

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

    Telex:  Facsimile:

    142116 BNKSL   99412 4044720
                     99412 4044721

6.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

    Cable:  Telex:  Facsimile:

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

REPUBLIC OF AZERBAIJAN

By /s/ Ziya Arzuman oglu Mammadov
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Joseph Owen
Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to contribute to a more efficient and safer Baku-Shamakhi road and higher quality road services as part of the general network upgrading to motorway standard, and to improve the management of the nascent motorway network.

The Project consists of the following parts:

Part A: Motorway Improvement

1. Upgrading the existing two lane Baku-Shamakhi road to a four lane motorway and the related road safety activities, through the carrying out of works and the provision of goods and consultants’ services.

2. Provision of consultants’ services for the supervision and technical audit of the above mentioned road and the design of priority investments of the main road network.

Part B: Institutional Development

1. Preparation of a study to explore options for a policy on management and financing and efficient allocation of resources for Azerbaijan’s motorways, through the provision of consultants’ services and training.

2. Institutional development of the ARS in motorway operation and maintenance by: (a) establishing motorway guidelines; (b) testing a small experimental motorway management unit at ARS; and (c) carrying out an operations and maintenance pilot on sections of existing motorways, through the provision of goods, consultants’ services and training.

Part C: Project Management

Supporting the Project management capacity of the PIU, through the provision of goods, consultants’ services and training.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Except as the Association shall otherwise agree, the Recipient shall: (a) ensure that the criteria, policies, procedures and arrangements set out in the Operational Manual, the EMF, and the RPF are applied by the ARS; and (b) not amend or waive, or permit to be amended or waived, the Operational Manual, the EMF, and/or the RPF, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

2. The Recipient 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 Association. The functions of the PIU shall include, inter alia, responsibility for: (a) the procurement process, financial management and the preparation of withdrawal applications under the Project; and (b) monitoring and evaluation of the progress in implementing the Project, in accordance with indicators agreed upon with the Association.

3. The Recipient shall permit the use of standards for design, construction and planning of motorways and highways adopted by the European Union or, alternatively, such standards adopted by the American Association of State Highway and Transportation Officials (in addition to the national standards), acceptable to the Association, in the design, construction and maintenance of road works under the Project.

4. By not later than December 31, 2010, the Recipient shall cause the ARS to recruit a financial auditor under terms of reference and conditions satisfactory to the Association.

5. The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association, six (6) months as of the completion of the works for upgrading the Baku-Shamakhi road under Part A of the Project, a report on the execution of such works and the related plan on operations and maintenance of the Baku-Shamakhi road.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project by the ARS, the Recipient shall make the proceeds of the Financing available to the ARS under a subsidiary agreement (“Subsidiary Agreement”) between the Ministry of Finance and the Ministry of Transport
on behalf of the Recipient and the ARS, under terms and conditions approved by the Association, which shall include, without limitation ARS’s undertakings to carry out the Project in accordance with the provisions set forth in this Agreement, the Operational Manual, Anti-Corruption Guidelines, EMF and the RPF.

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

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

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

2. For purposes of Part A of the Project, the Recipient shall: (a) prior to the issuance of the bidding documents for the works contract for each segment of the Baku-Shamakhi road, prepare and submit to the Association for its approval: (i) the proposed design and site for said works and, the related site-specific EIA and/or EMP in form and substance satisfactory to the Association; and (ii) the draft contract for said works to ensure that the provisions of said site-specific EIA and/or EMP are adequately included in said contract; (b) prior to the signing of the contract for said works, prepare and submit to the Association for its approval the site-specific land acquisition and/or resettlement action plan(s) (RAP(s)) in form and substance satisfactory to the Association; and (c) prior to the commencement of the works, ensure that 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(s).

3. The Recipient 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 Association; (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 Association, 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 with competent staff in adequate numbers and with
such responsibilities and functions acceptable to the Association as shall enable the ARS to manage, coordinate and monitor the implementation of the EMPs.

4. The Recipient shall: (a) ensure that the ARS prepares RAPs according to the RPF; (b) maintain or cause to be maintained by ARS, and publicize or cause to be publicized by ARS, 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 Association, to conduct an ex post review of the implementation of the RAPs; (d) through the ARS, furnish promptly to the Association 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 Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about October 1, 2012, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

3. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall cause ARS to prepare and furnish to the Association 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 Association.

3. The Recipient shall cause ARS to have the Project Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association 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 Financing 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 Financing 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 Association 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><strong>Procurement Method</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(a) National Competitive Bidding, subject to the following additional provisions:</strong></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 contracts;</td>
</tr>
<tr>
<td>(iii) entities in which the State or a State official owns a shareholding of whatever size shall not be invited to participate 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 budget;</td>
</tr>
<tr>
<td>(viii) rebidding shall not be carried out without prior approval of the Association;</td>
</tr>
<tr>
<td>(ix) works contracts of more than eighteen (18) months’ duration shall include appropriate price adjustment provisions; and</td>
</tr>
<tr>
<td>(x) prior approval of the Association shall be required for any modification in the contract scope and conditions during implementation; and</td>
</tr>
<tr>
<td>(xi) standard bidding documents approved by the Association shall be used.</td>
</tr>
<tr>
<td><strong>(b) Shopping</strong></td>
</tr>
<tr>
<td><strong>(c) Direct Contracting</strong></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 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 Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association 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 Financing (“Category”), the allocations of the
amounts of the Financing 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 Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (Net of VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Consultants’ Services including Audit, Training and Incremental Operating Costs for the Project</td>
<td>46,200,000</td>
<td>80%</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT** 46,200,000

**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 March 31, 2015.
### SCHEDULE 3

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 15 and December 15, commencing June 15, 2020 to and including December 15, 2029.</td>
<td>5%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions


2. “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 under the subordination of the Ministry of Transport by virtue of the Presidential Decree on the Measures to Improve Management of Transport and Road Complex (Decree No. 1992), dated February 22, 2007, and Decision No. 180 of the Cabinet of Ministers dated November 15, 2007, whose responsibilities were transferred from the Road Transport Service Department LLC within the Recipient’s Ministry of Transport, which was established by the Order of the Ministry of Transport of the Recipient (Order No. 03) dated June 23, 2003.

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


5. “EIA(s)” means the Recipient’s environmental impact assessment, acceptable to the Association 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.

6. “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.

7. “EMP(s)” means the Recipient’s site specific environmental management plan(s), acceptable to the Association prepared or to be prepared by the Recipient
during the Project implementation in accordance with the EMF and approved by the Association, describing environmental mitigation, monitoring and institutional measures for selected road sections under the Project.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.

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 Association.

10. “Loan Agreement” means the loan agreement for the Project between the Recipient and the Bank, dated the same date as this Agreement, as such loan agreement may be amended from time to time. “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.

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

12. “Ministry of Finance” means the Ministry of Finance of the Recipient or any successor or successors thereto.

13. “Ministry of Transport” means the Ministry of Transport of the Recipient or any successor or successors thereto.

14. “Operational Manual” means the operational manual for the Project adopted by the Recipient and ARS acceptable to the Association, outlining, inter alia, the institutional, disbursement, procurement, and environmental and social management arrangements for the implementation of the Project referred to in Section 5.01 (b) of this Agreement, as the same may be amended from time to time with approval of the Association, and such term includes any schedules to the Operational Manual.

15. “PIU” means the Project Implementation Unit as established by the Recipient’s internal order (Order No. 59k) dated August 14, 2003 within the ARS.


17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 5, 2010 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 Recipient’s counterpart financing for the Project, referred to in Section 3.03 of this Agreement.

19. “RAP(s)” means the resettlement action plan(s) to be prepared by the Recipient for selected road sections under Part A of the Project, setting out, inter alia, the principles and objectives of the RAP, the affected persons’ eligibility criteria, compensation, assistance and rehabilitation entitlements and procedures, as well as the monitoring and reporting arrangements in conformity with the RPF.

20. “RPF” means the Resettlement Policy Framework, dated February 5, 2010, defining the modalities for land acquisition, resettlement and rehabilitation of displaced persons under Part A of the Project and 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 Association.

21. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. Refinancing Preparation Advance

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing 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 Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”
2. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. Suspension by the Association

... (l) Ineligibility. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that 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 Association or the Bank.”

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.”