

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7518-AZ

Loan Agreement

(Second National Water Supply and Sanitation Project)

between

REPUBLIC OF AZERBAIJAN

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated September 5, 2008

LOAN AGREEMENT

Agreement dated September 5, 2008, between REPUBLIC OF AZERBAIJAN (“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 two hundred thirty million Dollars (\$230,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are April 15 and October 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III - PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall: (a) cause Components A.1, B.1 and C.1 of the Project to be carried out by the Azersu; and (b) cause Components A.2, B.2 and C.2 of the Project to be carried out by the SAWMA, in accordance with the provisions of Article V of the General Conditions, the Project Agreement I and the Project Agreement II.
- 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 Project Operational Manual and the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

- (a) The Azersu's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Azersu to perform any of its obligations under the Project Agreement I.
- (b) The SAWMA's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the SAWMA to perform any of its obligations under the Project Agreement II.
- (c) The Project Operational Manual has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Azersu and/or the SAWMA to perform any of their obligations under the Project Agreement I and Project Agreement II.

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

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

ARTICLE V - EFFECTIVENESS; TERMINATION

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

- (a) The Azersu Subsidiary Agreement has been executed on behalf of the Borrower and the Azersu.
- (b) The SAWMA Subsidiary Agreement has been executed on behalf of the Borrower and the SAWMA.
- (c) The revised Project Operational Manual has been adopted by the Azersu and the SAWMA.
- (d) The Azersu has appointed all the necessary members in the PIU within its International Relations & Development Department (IRDD), including one more procurement officer, in accordance with terms of reference and qualifications acceptable to the Bank.

- (e) The SAWMA has appointed all the necessary members in its PIU, including one procurement consultant, in accordance with terms of reference and qualifications acceptable to the Bank.
- (f) The Borrower has ensured that the contracts with suitably qualified construction management firms for Parts A.1 and A.2 of the Project have been signed, with terms and conditions acceptable to the Bank.
- (g) The Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Loan Agreement, have been fulfilled.

5.02. The Additional Legal Matters consist of the following.

- (a) The Azersu Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Azersu, and is legally binding upon the Borrower and the Azersu in accordance with its terms.
- (b) The SAWMA Subsidiary Agreement has been duly authorized or ratified by the Borrower and the SAWMA, and is legally binding upon the Borrower and the SAWMA in accordance with its terms.
- (c) The Project Agreement I has been duly authorized or ratified by the Azersu and is legally binding upon the Azersu in accordance with its terms.
- (d) The Project Agreement II has been duly authorized or ratified by the SAWMA and is legally binding upon the SAWMA in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is the Minister of Finance.

6.02. The Borrower's Address is:

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

Telex:

142116 BNKSL

6.03. The Bank's Address is:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(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/ Gregory Jedrzejczak

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Samir Sharifov

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the availability, quality, reliability and sustainability of water supply and sanitation services of the Borrower.

The Project consists of the following parts:

Component A: Rayon Investment

1. Rehabilitation and extension of water supply and sewerage systems, as well as facilities for water, wastewater and sludge treatment in the Selected Rayons in Azersu's Service Areas.
2. Rehabilitation and extension of water supply and sewerage systems, as well as facilities for water, wastewater and sludge treatment in the Selected Rayons in SAWMA's Service Areas.

Component B: Institutional Modernization

1. Capacity building and modernization of the Azersu and its subsidiary companies, through: (a) the provision of training for management, financial management, customer service, procurement, preventive maintenance and other subjects pertinent to effective and efficient management of the utilities; (b) development of performance monitoring, preventive maintenance and leak detection and repair; and (c) design and technical support for construction management, including procurement support and contract supervision for the investments.
2. Capacity building and modernization of the SAWMA, through: (a) the provision of training for management, financial management, customer service, procurement, preventive maintenance and other subjects pertinent to effective and efficient management of the utilities; (b) development of performance monitoring, preventive maintenance and leak detection and repair; and (c) design and technical support for construction management, including procurement support and contract supervision for the investments.

Component C: Project Management

1. Strengthening of the management capacity of the Azersu to monitor and administer implementation of the Project, including audit.

2. Strengthening of the management capacity of the SAWMA to monitor and administer implementation of the Project.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Borrower shall cause the Azersu to undertake the responsibility with regard to the financial management, financial reporting and audits for the Project.
2. The Borrower shall cause the Azersu to ensure that all goods, works and services required for the carrying out of Components A.1, B.1 and C.1 of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provision of Section III of Schedule 2 to the Loan Agreement.
3. The Borrower shall cause the SAWMA to ensure that all goods, works and services required for the carrying out of Components A.2, B.2 and C.2 of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provision of Section III of Schedule 2 to the Loan Agreement.
4. The Borrower shall ensure that the Azersu and the SAWMA shall retain, during the implementation of Components A.1 and A.2 of the Project, the services of a construction management company satisfactory to the Bank until the Bank's assessment has determined that the Azersu and/or the SAWMA have the capacity to take over such a responsibility independently.

B. Azersu Subsidiary Agreement

1. To facilitate the carrying out of the Azersu's Respective Part of the Project, the Borrower shall make part of the proceeds of the Loan available to the Azersu under a subsidiary agreement between the Borrower and the Azersu, under terms and conditions agreed by the Bank ("Azersu Subsidiary Agreement").
2. The Borrower shall exercise its rights under the Azersu Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Azersu Subsidiary Agreement or any of its provisions.

C. SAWMA Subsidiary Agreement

1. To facilitate the carrying out of the SAWMA's Respective Part of the Project, the Borrower shall make part of the proceeds of the Loan available to the SAWMA under a subsidiary agreement between the Borrower and the SAWMA, under terms and conditions agreed by the Bank ("SAWMA Subsidiary Agreement").
2. The Borrower shall exercise its rights under the SAWMA Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the SAWMA Subsidiary Agreement or any of its provisions.

D. Anti-Corruption

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

E. Safeguards.

1. The Borrower shall cause the Azersu and SAWMA, for their Respective Parts of the Project, to ensure that all measures necessary for the carrying out of the EMP, FEA and RPF shall be taken in a timely manner.
2. (a) In case any activities under the Project involve any use of water from existing dams or dams under construction, the Borrower shall ensure that the Azersu and/or the SAWMA shall, for their Respective Parts of the Project, arrange for one or more independent dam specialists, acceptable to the Bank, to: (i) inspect and evaluate the safety status of the existing dam or dam under construction, its appurtenances, and its performance history; (ii) review and evaluate the owner's operation and maintenance procedures; and (iii) provide a written report of findings and recommendations for any remedial work or safety-related measures necessary to upgrade the existing dam or dam under construction to an acceptable standard of safety, prior to commencing any such activities.

(b) The Borrower shall ensure that the Azersu and/or the SAWMA shall carry out their Respective Parts of the Project in accordance with the recommendations set forth in the report referred to in subparagraph (iii) above.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar 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. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (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.

Procurement Method
<p>(a) National Competitive Bidding, subject to the following additional provisions:</p> <ul style="list-style-type: none"> (i) there shall be no eligibility restrictions based on nationality of bidder; (ii) pre-qualification shall not be used for simple works procurement and shall be conducted only for large works contracts; (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 operate under commercial law; (iv) no national preferences may be applied on the basis of the origin of products or labor; (v) joint venture partners shall be jointly and severally liable for their obligations; (vi) no “participation fee” shall be required of bidders for the purchase of bidding documents. The only charge shall be equivalent to the cost of producing (copying) the bidding documents; (vii) in the evaluation of bids, bids may not be rejected where they differ substantially from the estimated prices calculated by the procuring entity, except where the bid prices exceed the available budget; (viii) rebidding shall not be carried out without prior approval of the Bank; (ix) works contracts of more than eighteen (18) months’ duration shall include appropriate price adjustment provisions; and (x) prior approval of the Bank shall be required for any modification in the contract scope and conditions during implementation.
(b) Shopping
(c) Direct Contracting

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.

Procurement Method
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultants’ Qualifications
(e) Single-source Selection

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.
3. 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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be Financed (net of VAT)
(1) Works		75%
(a) for Component A.1 of the Project	670,000	
(b) for Component A.2 of the Project	330,000	
(2) Goods		75%
(a) for Components A.1 and B.1 of the Project	139,645,000	
(b) for Components A.2 and B.2 of the Project	68,780,000	
(3) Front-end Fee	575,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Premia for Interest Rate Caps and Interest Rate Collars	0	Amount due under Section 2.07 (c) of this Agreement
(5) Unallocated	20,000,000	
TOTAL AMOUNT	<u><u>230,000,000</u></u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is February 28, 2013.

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.]

Principal Payment Date	Installment Share (Expressed as a Percentage)
October 15, 2012	2.42 %
April 15, 2013	2.50 %
October 15, 2013	2.59 %
April 15, 2014	2.68 %
October 15, 2014	2.78 %
April 15, 2015	2.87 %
October 15, 2015	2.97 %
April 15, 2016	3.08 %
October 15, 2016	3.19%
April 15, 2017	3.30 %
October 15, 2017	3.41 %
April 15, 2018	3.53 %
October 15, 2018	3.66 %
April 15, 2019	3.78 %
October 15, 2019	3.92%
April 15, 2020	4.05 %
October 15, 2020	4.20 %
April 15, 2021	4.34 %
October 15, 2021	4.49%
April 15, 2022	4.65 %
October 15, 2022	4.81 %
April 15, 2023	4.98 %
October 15, 2023	5.16 %
April 15, 2024	5.34 %
October 15, 2024	5.52%
April 15, 2025	5.78 %

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. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Azersu” means “Azersu” Joint Stock Company of Republic of Azerbaijan, established under the Presidential Decree No. 252 on June 11, 2004, which is also the Project Implementing Entity.
3. “Azersu Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Azersu.
4. “Azersu’s Legislation” means its Charter, which was approved by the Decree No. 50 of the Cabinet of Ministers of the Borrower, dated March 22, 2005, and the Presidential Resolution No. 252 on June 11, 2004.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “EMP” means the Environmental Management Plan, dated January 4, 2008, setting forth measures to mitigate any adverse impact to the environment.
8. “FEA” means the Framework Environmental Assessment, dated January 4, 2008, setting forth the framework of environmental assessment to be carried out in order to mitigate any adverse impact to the environment.
9. “Financing Agreement” means the agreement between the Borrower and the Association for the Project, of the same date as this Agreement, as such agreement may be amended from time to time. “Financing Agreement” includes all appendices, schedules and agreements supplemental to the Financing Agreement.
10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through October 17, 2007).

11. “PIU” means the Project Implementation Unit within the IRDD of the Azersu and/or the SAWMA, responsible for the implementation of the Project.
12. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
13. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated March 13, 2008, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
14. “Project Operational Manual” means the manual satisfactory to the Bank, to be adopted pursuant to Section 5.01 (c) of this Agreement, setting forth the operational, maintenance and administrative procedures for the implementation of the Project.
15. “RPF” means the Resettlement Policy Framework, dated February 28, 2008, defining the modalities for land acquisition, resettlement and rehabilitation of displaced persons under Components A and C of the Project.
16. “SAWMA” means the State Amelioration and Water Management Agency of Nakhchivan Autonomous Republic, which is also the Project Implementing Entity.
17. “SAWMA’s Legislation” means the Decree of the Supreme Parliament of Nakhchivan Autonomous Republic on the Establishment of the State Amelioration and Water Management Agency on the basis of State Amelioration and Water Management Committee under the Cabinet of Ministers of Nakhchivan Autonomous Republic, dated October 27, 2004 (Decree No. 160-II FR).
18. “SAWMA Subsidiary Agreement” means the agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the SAWMA.
19. “Selected Rayons in Azersu’s Service Areas” means Rayons of Imishli, Kurdamir, Siyazan, Aghsu, Ismayili, Udjar, Zardab, Lenkoran, Masalli, Astara, Jaliabad, Yardimli, Lerik, Davachi, Dashkesan and Gadabey, subject to modifications as the Borrower and the Bank may agree upon from time to time.
20. “Selected Rayons in SAWMA’s Service Areas” means Rayons of Sadarak, Kangarli, Shahbuz, Djulfa, Ordubad, subject to modifications as the Borrower and the Bank may agree upon from time to time.

21. "VAT" means the value-added tax, levied in accordance with the legislation of the Borrower.