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CREDIT NUMBER 3390-1 AZ

# Financing Agreement

(Additional Financing for Rehabilitation and Completion of Irrigation and  
Drainage Infrastructure Project)

between

REPUBLIC OF AZERBAIJAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 2 , 2006

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**CREDIT NUMBER 3390-1 AZ**

**FINANCING AGREEMENT**

AGREEMENT dated May 2, 2006, entered into between REPUBLIC OF AZERBAIJAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). 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 the Financing Agreement have the meanings ascribed to them in the General Conditions, in the Original Financing Agreement 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 three million five hundred thousand Special Drawing Rights (SDR 3,500,000) (“Credit”) to assist in financing the Original 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

### **ARTICLE III – PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Original Project. To this end, the Recipient, through the SAIA, shall carry out the Original Project in accordance with the provisions of Article IV of the General Conditions.
- 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.

### **ARTICLE IV – TERMINATION**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

### **ARTICLE V – REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is the Minister of Finance.
- 5.02. The Recipient's Address is:

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

Telex:  
142116 BNKSL

5.03. 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 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/ Ahmad Juma oglu Ahmadzade

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Saida Bagirli

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to: (i) prevent a decline in the supply of water to Baku City and the Apsheron Peninsula; and (ii) eliminate further deterioration of the supply of irrigation water to approximately 86,000 hectares (ha) along the Samur-Apsheron Canal.

The Project consists of the Original Project, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Other Arrangements**

1. Schedules 4 and 5 to the Original Financing Agreement are incorporated in this Agreement, with the following modifications in said Schedule, unless the context otherwise requires:

- (a) the term "Credit" shall be read as "Financing"; and
- (b) the term "Borrower" shall be read as "Recipient".

#### **Section II. Project Monitoring, Reporting, 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 indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar quarter, 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. 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 December 31, 2007.

##### **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. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Works.** All 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 Schedule.
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 Schedule.
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 Works**

**International Competitive Bidding.** Works shall be procured under contracts awarded on the basis of International Competitive Bidding.

**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.

<b>Procurement Method</b>
(a) <i>Individual Consultants</i>
(b) <i>Least-Cost Selection</i>
(c) <i>Single Source Selection</i>

**D. Review by the Bank of Procurement Decisions**

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (i) each contract for works procured under Part B; (ii) each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more; and (iii) each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more. Terms of reference for all consulting assignments estimated to cost less than \$100,000 for consulting firms and \$25,000 for individual consultants 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 this Section and such additional instructions as the Association may specify by notice to the Recipient, 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:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Works	3,290,000	90%
(2) Consultants' services and training	210,000	100%
<b>TOTAL</b>	<u>3,500,000</u>	

**B. Withdrawal Conditions; Withdrawal Period**

The Closing Date is June 30, 2007.



**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each June 15 and December 15:	
commencing June 15, 2016 to and including December 15, 2025	1.25%
commencing June 15, 2026 to and including December 15, 2040	2.5%

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

## APPENDIX

### Section I. Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
4. “Original Financing” means the amount in various currencies equivalent to thirty one million seven hundred thousand Special Drawing Rights (SDR 31,700,000) made available by the Association to the Recipient, on the terms and conditions set forth in the Original Financing Agreement (as hereinafter defined) (Credit No. 3390 AZ).
5. “Original Financing Agreement” means the development credit agreement for a Rehabilitation and Completion of Irrigation and Drainage Infrastructure Project between the Recipient and the Association, dated August 24, 2000 (Credit No 3390 AZ).
6. “Original Project” means the Project described in the Original Financing Agreement.
7. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 12, 2006, 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.
9. “SAIA” means the State Amelioration and Irrigation Agency of the Recipient, or its successor thereto.