



LOAN NUMBER 8477-KZ

Loan Agreement

(Small and Medium Enterprises Competitiveness Project)

between

REPUBLIC OF KAZAKHSTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *July 20*, 2015

LOAN AGREEMENT

Agreement dated July 20, 2015, between the REPUBLIC OF KAZAKHSTAN (“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 forty million Dollars (\$40,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 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. The Borrower shall pay the Front-end Fee not later than sixty days after the Effective Date.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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.

- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (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.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project through MoNE in accordance with the provisions of Article V of the General Conditions.

5.03. 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 Astana, REPUBLIC of KAZAKHSTAN, as of the
day and year first above written.

REPUBLIC OF KAZAKHSTAN

By



Authorized Representative

Name: Bakhyt Sultanov

Title: Minister of Finance

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Ludmila Butenko

Title: Country Manager

SCHEDULE 1

Project Description

The objective of the Project is to enhance the competitiveness and capacity of targeted small and medium sized enterprises in the Borrower's territory.

The Project consists of the following components:

Component 1: SME Capacity Building Program

Strengthening and expanding existing SME advisory programs as set forth in the Operations Manual, including the Business Advisors Network, through the provision of goods, Training and consultants' services.

Component 2: SME Linkages in Competitive Sectors

1. Supplier Development Activities: Implementing supplier development activities designed to increase the ability of SMEs to supply inputs into the local operations of multinational corporations, large local firms and state-owned enterprises by, *inter alia*, upgrading skills of suppliers, improving business and management practices, facilitating communication and relationships between potential SME suppliers and major buyers, and establishment of a supplier development office, all through the provision of goods, Training and consultants' services.
2. Competitive Sectors: Developing higher value-added production and increased competitiveness of SMEs in non-extractive sectors in and around priority geographic areas by institutional capacity strengthening, through the provision of Training and consultants' services.
3. Factoring Strategic Assessment: Conducting a detailed assessment for development of factoring and reverse-factoring in the territory of the Borrower, including an online platform for SMEs to register and verify their accounts receivables.

Component 3: Impact Evaluation and Monitoring of SME Programs

Strengthening monitoring and evaluation frameworks, public-private sector dialogue, and transparency of SME policy making through the provision of Training and consultants' services.

Component 4: Project Management

Provision of consultants' services and Training and payment of Operating Costs to implement, manage, and coordinate the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through MoNE, shall:
 - (a) (i) establish, and thereafter operate and maintain the Project Implementation Unit until the completion of the Project; and (ii) ensure that the Project Implementation Unit functions at all times in a manner and with adequate staffing (including a financial management specialist and a procurement specialist) and budgetary resources, all acceptable to the Bank;
 - (b) not later than sixty (60) days after Loan effectiveness, ensure that the PIU has hired the financial management specialist and the procurement specialist referred to in paragraph (a), above with terms of reference and qualifications acceptable to the Bank; and
 - (c) not later than sixty (60) days after Loan effectiveness, ensure that MoNE's accounting software includes modules allowing Project-related accounting and financial reporting in a manner acceptable to the Bank.
2. The Borrower shall establish and thereafter maintain a Project Implementation Commission, with a composition (including representatives from relevant Borrower's ministries and agencies, and chaired by the Vice-Minister of MoNE), functions and responsibilities acceptable to the Bank, as set forth in the Operations Manual.
3. The Borrower, through MoNE, shall:
 - (a) adopt and maintain the Operations Manual in form and content satisfactory to the Bank;
 - (b) carry out the Project in accordance with the provisions set forth in the Operations Manual; and
 - (c) not assign, amend, abrogate or waive the Operations Manual without obtaining prior approval of the Bank.

B. Anti-Corruption

The Borrower, through MoNE, shall carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through MoNE, 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 agreed by the Borrower and the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.
2. Without limitation to the provisions of Section 5.08(b) of the General Conditions, by December 31, 2017, or such other date as the Bank shall agree upon, the Borrower, through MoNE, shall carry out jointly with the Bank a mid-term review of the implementation of the activities under the Project (Mid-term Review). The Mid-term Review shall cover the progress achieved in the implementation of the Project. Following such Mid-term Review, if necessary, the Borrower, through MoNE, shall act diligently to take any corrective action as shall have been agreed with the Bank.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through MoNE, 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, through MoNE, 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 pertinent 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 months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Non-consulting Services.** All goods 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 and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan:
 - (a) National Competitive Bidding, subject to additional provisions set forth in the Attachment to this Schedule 2;
 - (b) Shopping; and
 - (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 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) Selection of Individual Consultants; and
 - (g) 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.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (exclusive of Taxes)</u>
(1) Goods, non-consulting services, consultants’ services, and Training for Component 1 of the Project	11,453,568	85%
(2) Goods, non-consulting services, consultants’ services, Training, and Operating Costs for Components 2, 3 and 4 of the Project	28,546,432	100%
TOTAL AMOUNT	40,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
- (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; and
 - (b) for payments made prior to the date of this Agreement.
2. The Loan Closing Date is June 30, 2020.

**Attachment
to
SCHEDULE 2**

The procurement procedures to be followed for National Competitive Bidding shall be the tender procedure set forth in the Law of the Republic of Kazakhstan on Public Procurement No. 303-III, dated July 21, 2007, as amended by the Law of the Republic of Kazakhstan No. 239-V, dated September 29, 2014; provided, however, that such procedures shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the Procurement Guidelines and the following additional provisions:

- (a) **Eligibility:** The eligibility of bidders to participate in a procurement process and to be awarded a Bank-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Bank for reasons other than those provided in Section I of the Procurement Guidelines. Foreign bidders shall be allowed to participate in NCB procedures, and shall not be obligated to partner with local bidders in order to participate in a procurement process.
- (b) **Registration:** Bidding shall not be restricted to pre-registered firms, and foreign bidders shall not be required to be registered with local authorities as a prerequisite for submitting bids.
- (c) **Preferences:** No preference of any kind shall be applied in bid evaluation on the basis of bidder nationality; origin of goods, services or labor; local content; citizen degree of ownership; and/or any other preferential programs.
- (d) **Bidding Documents:** Procuring entities shall use the appropriate standard bidding documents, including contractual provisions, satisfactory to the Bank.
- (e) **Cost Estimates:** Cost estimates shall be confidential and shall not be disclosed to prospective bidders.
- (f) **Bid Validity:** An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the expiration date and for a minimum period required to complete the evaluation or award a contract, provided that such extension shall cover only the minimum period required to complete the evaluation and/or award a contract, but not to exceed four (4) weeks. No further extensions shall be requested without the prior written concurrence of the Bank.
- (g) **Bid Submission and Bid Opening:** Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be opened in public immediately after the deadline for their

submission. A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids, and to the Bank with respect to contracts subject to the Bank's prior review.

- (h) **Qualification:** Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a "pass or fail" basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder's or prospective bidder's capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (iii) capability of construction and/or manufacturing facilities.
- (i) Prequalification procedures and documents satisfactory to the Bank shall be used for large, complex and/or specialized works contracts. Verification of the information upon which a bidder was prequalified, including current commitments and the bidder's capability with respect to personnel and equipment, shall be carried out at the time of contract award.
- (j) Where prequalification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.
- (k) **Bid Evaluation:** Evaluation criteria shall be clearly specified in the bidding documents. Evaluation of bids shall be made in strict adherence to the quantifiable criteria declared in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points and bracketing shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation. Bidders shall not be eliminated on the basis of minor, nonmaterial deviations. The procuring entity shall ask bidders for clarifications needed to evaluate their bids, but shall not ask or permit bidders to change the substance or price of their bids after the bid opening.
- (l) Contracts shall be awarded to the qualified bidder whose bid has been determined: (i) to be substantially responsive to the bidding documents; and (ii) to offer the lowest-evaluated cost. No negotiation as to the price or substance of the bid shall take place.
- (m) **Rejection of Bids and Re-Bidding:** No bids shall be rejected solely because they fall below or exceed the estimated cost or outside of a range or "bracket" of bid values. All bids (including in the case when less than two bids are received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Bank's prior written concurrence.

- (n) **Guarantees:** Bid and contract guarantees shall be in the format and have the required period of validity specified in the bidding documents. If required, bid security shall be expressed as a fixed amount and shall not exceed two percent (2%) of the estimated cost of the contract. No advance payments shall be made to contractors without a suitable advance payment guarantee.
- (o) **Confidentiality:** The process of bid evaluation shall be confidential until the publication of contract award.
- (p) **Electronic Procurement Systems:** Electronic procurement systems may be used, provided that the Bank is satisfied with the adequacy of the systems, including *inter alia*, that the system is secure, maintains the integrity, confidentiality, and authenticity of bids submitted.
- (q) **Fraud and Corruption:** In accordance with the Procurement Guidelines, each bidding document and contract shall include provisions stating the Bank's policy to sanction firms or individuals, found to have engaged in fraud and/or corruption as defined in the Procurement Guidelines.
- (r) **Inspection and Audit Rights:** In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Loan shall provide that bidders, suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers, or suppliers shall permit the Bank to inspect all accounts, records and other documents relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. Acts intended to materially impede the exercise of the Bank's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Guidelines.
- (s) **Publication of the Award of Contract:** The procuring entity shall publish the following information on contract award in a free and open access website or on another means of publication acceptable to the Bank: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, price it offered as well as the duration and summary scope of the contract awarded.

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)
On each May 15 and November 15 Beginning May 15, 2020 through May 15, 2031	4.17%
On November 15, 2031	4.09%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

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 and revised in January 2011.
2. “Business Advisors Network” is a network of business advisors employed by the Borrower, through MoNE, to provide free-of-cost services to SMEs in the territory of the Borrower.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
6. “MoNE” means the Ministry of National Economy of the Borrower, or any legal successor thereto.
7. “Operating Costs” means the reasonable and necessary expenditures on account of Project implementation, management, coordination, and monitoring and evaluation, as approved by the Bank on the basis of semi-annual budgets acceptable to the Bank, and including, *inter alia*, the costs of: (i) utilities and communication costs; (ii) organization of workshops; (iii) consumable office supplies; (iv) media communication and advertisements, printing and publications; (v) costs of translation and interpretation; (vi) bank charges; and (vii) vehicle rental and fuel charges. Operating Costs shall not include salaries or allowances of the Borrower’s civil servants.
8. “Operations Manual” means the manual prepared and agreed by the Borrower, through MoNE, acceptable to the Bank, setting out, *inter alia*, the operational and administrative procedures in respect of the preparation, approval, processing, financing, implementation, and supervision of the Project, including a financial management manual, and the SME advisory programs under Component 1 of the Project.

9. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
10. "Procurement Plan" means the Borrower's procurement plan for the Project, dated January 21, 2015 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.
11. "Project Implementation Unit" or "PIU" means the unit referred to in Section I, Part A, paragraph 1(a) of Schedule 2 of this Agreement.
12. "Project Implementation Commission" or "PIC" means the Project Implementation Commission referred to in Section I, Part A, paragraph 2 of Schedule 2 to this Agreement.
13. "SME" means small and medium enterprises registered and operating in the Borrower's territory.
14. "Training" means expenditures (other than those for consultants' services) incurred under the Project, as approved by the Bank on the basis of semi-annual training and study tour plans acceptable to the Bank, including the reasonable and necessary local and international travel and visa expenditures incurred by participants in training workshops, as well as lodging, subsistence, local and international *per diem* allowances according to the guidelines of the Borrower, registration, tuition and facilitators' fees, minor organizational expenses (including costs of stationery, handouts and training materials), translation and interpretation costs, facility rental costs, and other expenditures directly relating to training workshops and study tour activities.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

"Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."
5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of "Front-end Fee" is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term "Loan Payment" is modified to read as follows:

"68. "Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."
7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of "Payment Date" is modified by deleting the word "is" and inserting the words "and Commitment Charge are" after the word "interest".