

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7518-AZ

Project Agreement V

(Second National Water Supply and Sanitation Project)

between

INTERNATIONAL BANK

FOR

RECONSTRUCTION AND DEVELOPMENT

and

**STATE AMELIORATION AND WATER MANAGEMENT OPEN JOINT
STOCK COMPANY OF REPUBLIC OF AZERBAIJAN**

Dated October 16, 2009

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PROJECT AGREEMENT V

Agreement dated October 16, 2009, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and STATE AMELIORATION AND WATER MANAGEMENT OPEN JOINT STOCK COMPANY OF REPUBLIC OF AZERBAIJAN (“SAWMC”) (“Project Agreement V”) in connection with the Amended and Restated Loan Agreement (“Amended and Restated Loan Agreement”) of same date between REPUBLIC OF AZERBAIJAN (“Borrower”) and the Bank. The Bank and the SAWMC hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Amended and Restated Loan 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 Amended and Restated Loan Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The SAWMC declares its commitment to the objectives of the Project. To this end, the SAWMC shall carry out Parts A.1, B.1 and C.1 of the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the SAWMC shall otherwise agree, the SAWMC shall carry out its Respective Part of the Project in accordance with the Project Operational Manual and the provisions of the Schedule to this Agreement.

ARTICLE III - REPRESENTATIVE; ADDRESSES

- 3.01. The SAWMC’s Representative is its President.
- 3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The SAWMC's Address is:

State Amelioration and Water Management Open Joint Stock Company
of the Republic of Azerbaijan
40 U. Hadjibekov Str.
House of Government
AZ1016 Baku
Republic of Azerbaijan

Facsimile:
+994 12 493 11 76

AGREED at Baku, Republic of Azerbaijan, as of the day and year first above written.

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By: /s/ Asad Alam

Authorized Representative

**STATE AMELIORATION AND WATER
MANAGEMENT OPEN JOINT STOCK
COMPANY
OF THE REPUBLIC OF AZERBAIJAN**

By: /s/ Samir Sharifov

Authorized Representative

SCHEDULE

Execution of the SAWMC's Respective Parts of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The SAWMC shall maintain its Science, Design and Construction Department with staff, resources, terms of reference satisfactory to the Bank until completion of the Project.
2. The SAWMC shall retain, during the implementation of the Part A.1 of the Project, the services of a construction management company satisfactory to the Bank until the Bank's assessment has determined that the SAWMC has the capacity to take over such a responsibility independently.

B. Anti-Corruption

The SAWMC shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The SAWMC shall 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 SAWMC's Respective Part of the Project involves any use of water from existing dams or dams under construction, the SAWMC shall 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 SAWMC shall carry out its Respective Part of the Project in accordance with the recommendations set forth in the report referred to in subparagraph (a) (iii) above.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

The SAWMC shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators agreed with the Bank. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Borrower not later one (1) month after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

B. Financial Management, Financial Reports and Audits

1. The SAWMC shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, in a manner adequate to reflect the operations, resources and expenditures related to the Project.
2. The SAWMC shall have the project financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the SAWMC. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for the SAWMC's Respective Part of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Amended and Restated Loan Agreement.