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CREDIT NUMBER 4395 AZ

Project Agreement

(Additional Financing for IDP Economic Development Support Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

REPUBLIC OF AZERBAIJAN SOCIAL FUND
FOR DEVELOPMENT OF IDPs

Dated May 15, 2008

PROJECT AGREEMENT

Agreement dated May 15, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and REPUBLIC OF AZERBAIJAN SOCIAL FUND FOR DEVELOPMENT OF IDPs (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the REPUBLIC OF AZERBAIJAN (“Recipient) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s Representative is the Director.
- 3.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

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

The Project Implementing Entity's Address is:

Republic of Azerbaijan Social Fund for Development of IDPs (SFDI)
65 Fizuli Street, 5th Floor
Baku AZ1014
Republic of Azerbaijan

Telephone:	Facsimile:
(994-12) 495-30-23 (994-12) 495-83-86	(994-12) 495-70-47

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Gregory Jedrzejczak
Authorized Representative

REPUBLIC OF AZERBAIJAN SOCIAL FUND FOR
DEVELOPMENT OF IDPs

By /s/ Ali Shamil oglu Hasanov
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Anti-Corruption

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

B. Safeguards

The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Operational Manual, including the provisions of EMP, and shall not amend, suspend, abrogate, repeal or waive any provision of the Operational Manual without prior approval of the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Project Implementing Entity 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 such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Recipient not later than forty-five (45) days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. Financial Management, Financial Reports and Audits

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

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.