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CAPITAL MARKETS MODERNIZATION PROJECT IMPLEMENTED BY THE STATE COMMITTEE FOR SECURITIES LOAN NUMBER 8024-AZ

Special-Purpose Financial Statements and Independent Auditors' Report

For the Year ended December 31, 2013

CAPITAL MARKETS MODERNIZATION PROJECT IMPLEMENTED BY THE STATE COMMITTEE FOR SECURITIES

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INDEPENDENT AUDITORS' REPORT

To the Management of the Project Implementation Unit of the Capital Markets Modernization Project implemented by the State Committee for Securities of the Republic of Azerbaijan:

We have audited the accompanying Special-Purpose Financial Statements of the Capital Markets Modernization Project implemented by the State Committee for Securities of the Republic of Azerbaijan (the "Project"), which comprise the Special-Purpose Balance Sheet as at December 31, 2013 and the Statement of Summary of Sources and Uses of Funds, the Statement of Uses of Funds by Project Components, the Statement of Designated Account and the Statement of Expenditure and Summary Sheet Withdrawal Schedule ("SOE and SSWS") for the year ended December 31, 2013, and a summary of significant accounting policies and other explanatory notes (collectively referred to as the "Special-Purpose Financial Statements") financed under the International Bank for Reconstruction and Development (the "IBRD") through loan agreement number 8024-AZ (the "Loan Agreement") and the Government of the Swiss Confederation ("SECO") through Grant Agreement.

Management's Responsibility for the Special-Purpose Financial Statements

Management is responsible for the preparation and fair presentation of these Special-Purpose Financial Statements in accordance with International Public Sector Accounting Standard ("IPSAS") "Financial Reporting under the Cash Basis of Accounting" issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants ("IFAC-PSC") and relevant provisions of the financing agreements as described in Note 2 to the Special-Purpose Financial Statements and for such internal control as management determines is necessary to enable the preparation of the Special-Purpose Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Special-Purpose Financial Statements based on conducting the audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Special-Purpose Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in these Special-Purpose Financial Statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Special-Purpose Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Special-Purpose Financial Statements.

BAKER TILLY
AZERBAIJAN

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Special-Purpose Financial Statements present fairly, in all material respects, the financial position of the Project as at December 31, 2013, the cash receipts and disbursements on behalf of the Project and transactions passed through the Project's Designated Account for the year ended December 31, 2013 in accordance with IPSAS "Financial Reporting under the Cash Basis of Accounting" and relevant provisions of the loan agreement as described in Note 2 of the Special-Purpose Financial Statements.

In addition, with respect to the SOE and SSWS, all payments reported are eligible for financing under the respective loan agreement and adequate documentation have been maintained to support the claims for withdrawal.

Restriction on Distribution

These Special-Purpose Financial Statements and Auditors' Report thereon are intended solely for the information and use of the Project Implementation Unit, the Government of the Republic of Azerbaijan, the IBRD and the Government of the Swiss Confederation, and are not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Azerbaijan

April 25, 2014
Baku, the Republic of Azerbaijan

CAPITAL MARKETS MODERNIZATION PROJECT IMPLEMENTED BY THE STATE COMMITTEE FOR SECURITIES

SPECIAL-PURPOSE BALANCE SHEET
AS AT DECEMBER 31, 2013

(Amounts expressed in the United States Dollars unless otherwise indicated)

	Notes	December 31, 2013	December 31, 2012
ASSETS AND CUMULATIVE USES OF FUNDS			
Cash at bank	3	235,209	238,552
Cumulative uses of funds		4,634,032	2,056,215
Accumulated exchange rate differences		78	39
TOTAL ASSETS AND CUMULATIVE USES OF FUNDS		**4,869,319**	**2,294,806**
SOURCES OF FUNDS			
Cumulative IBRD Funds		3,967,431	1,961,883
Cumulative SECO Funds		214,183	-
Cumulative Government Funds		657,705	302,923
Front-end-Fee		30,000	30,000
TOTAL SOURCES OF FUNDS		**4,869,319**	**2,294,806**

Approved and signed on behalf of the Project Implementation Unit:

Bakhtiyar Azizov
PIU Director

April 24, 2014
Baku, the Republic of Azerbaijan

Azulla Huseynov
Head of Financial Division

April 24, 2014
Baku, the Republic of Azerbaijan

The notes on pages 10-14 form an integral part of these Special-Purpose Financial Statements.

CAPITAL MARKETS MODERNIZATION PROJECT IMPLEMENTED BY THE STATE COMMITTEE FOR SECURITIES

STATEMENT OF SUMMARY OF SOURCES AND USES OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts expressed in the United States Dollars unless otherwise indicated)

	December 31, 2013	December 31, 2012	Cumulative to date December 31, 2013
OPENING BALANCE			
IBRD Designated Account	238,552	-	
TOTAL OPENING BALANCE	**238,552**	-	
ADD: FUNDS RECEIVED			
IBRD Loan Number 8024-AZ			
Advance to Designated Account	259,323	450,000	709,323
Direct payments	1,746,225	1,511,883	3,258,108
Front-end fee	-	-	30,000
Subtotal IBRD Loan funds	**2,005,548**	**1,961,883**	**3,997,431**
SECO Grant Number TF011975			
Direct payments	214,183	-	214,183
Subtotal SECO Grant funds	**214,183**	-	**214,183**
Government of Azerbaijan			
Advance to Project Account	354,782	302,923	657,705
Subtotal Government of Azerbaijan funds	**354,782**	**302,923**	**657,705**
TOTAL FUNDS RECEIVED	**2,574,513**	**2,264,806**	**4,869,319**
LESS: EXPENDITURE			
IBRD Loan Number 8024-AZ			
2. Consultant's services including audit and training	1,996,140	1,717,090	3,713,230
3. Incremental operating costs	12,765	6,241	19,006
Subtotal IBRD Loan expenditure	**2,008,905**	**1,723,331**	**3,732,236**
Front-end fee	-	-	**30,000**
SECO Grant Number TF011975			
2. Consultant's services including audit and training	214,183	-	214,183
Subtotal SECO Grant expenditure	**214,183**	-	**214,183**
Government of Azerbaijan			
VAT expenses	354,711	302,884	657,595
Other expenses	18	-	18
Subtotal Government of Azerbaijan	**354,729**	**302,884**	**657,613**
TOTAL EXPENDITURE	**2,577,817**	**2,026,215**	**4,634,032**
FOREIGN EXCHANGE DIFFERENCE			
Project Account	39	39	**78**
TOTAL FOREIGN EXCHANGE DIFFERENCE	**39**	**39**	**78**

CAPITAL MARKETS MODERNIZATION PROJECT IMPLEMENTED BY THE STATE COMMITTEE FOR SECURITIES

STATEMENT OF SUMMARY OF SOURCES AND USES OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 2013 (Continued)

(Amounts expressed in the United States Dollars unless otherwise indicated)

CLOSING BALANCE		
IBRD Designated Account	235,195	238,552
Project Account	14	-
TOTAL CLOSING BALANCE	**235,209**	**238,552**

Approved and signed on behalf of the Project Implementation Unit:

Bakhtiyar Azizov
PIU Director

April 24, 2014
Baku, the Republic of Azerbaijan

Azulla Huseynov
Head of Financial Division

April 24, 2014
Baku, the Republic of Azerbaijan

The notes on pages 10-14 form an integral part of these Special-Purpose Financial Statements.

CAPITAL MARKETS MODERNIZATION PROJECT IMPLEMENTED BY THE STATE COMMITTEE FOR SECURITIES

STATEMENT OF USES OF FUNDS BY PROJECT COMPONENTS FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts expressed in United States Dollars unless otherwise indicated)

	December 31, 2013	December 31, 2012	Cumulative to date December 31, 2013
Project Components			
Component A: Streamlining and Automating Market Infrastructure			
1.1 Establish Market Participant Advisory Groups	142,946	53,049	195,995
1.2 Establish a Single Central Securities Depository	214,183	106,097	320,280
1.3 Expand access to and functionality of the Depository	-	159,146	159,146
1.4 Increase automation of the Market	226,783	88,414	315,197
1.5 Establish an appropriate Market guarantee mechanism	142,789	106,097	248,886
1.6 Reduce off-Market transactions	214,183	88,414	302,597
Total Component A	**940,884**	**601,217**	**1,542,101**
Component B: Updating and Strengthening the Legal and Regulatory Framework			
2.1 Support adaptation of a New Law on Securities	142,946	35,366	178,312
2.2 Drafting implementing Regulations	142,868	53,049	195,917
2.3 Evaluate Banks' participation in the Securities Market	-	53,049	53,049
2.4 Promote revised, supporting Tax Policies	-	70,731	70,731
2.5 Allow Pooled Investments by Insurance Companies	-	17,683	17,683
2.6 Minimum Capital Adequacy and risk assessment methods for Market	142,789	53,049	195,838
Total Component B	**428,603**	**282,927**	**711,530**
Component C: Stimulating Supply			
3.1 Create appropriate environment for raising capital/ BSE[1] listing	71,394	35,366	106,760
3.2 Develop the Government securities market	-	53,049	53,049
3.3 Encourage development of the Corporate Debt Market	-	35,366	35,366
3.4 Conduct corporate education	-	53,049	53,049
3.5 Develop other products	-	106,097	106,097
3.6 Enhance and promote funding of the State companies and Projects	-	53,049	53,049
3.7 Enhance support to private sector and SME[2]	-	17,683	17,683
Total Component C	**71,394**	**353,659**	**425,053**

CAPITAL MARKETS MODERNIZATION PROJECT IMPLEMENTED BY THE STATE COMMITTEE FOR SECURITIES

STATEMENT OF USES OF FUNDS BY PROJECT COMPONENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (Continued)

(Amounts expressed in United States Dollars unless otherwise indicated)

	December 31, 2013	December 31, 2012	Cumulative to date December 31, 2013
Component D: Capacity Building			
4.1 Strengthen SCS's[3] Knowledge Management	214,262	106,097	320,359
4.2 Strengthen SCS's[3] internal systems and operating	-	35,366	35,366
4.3 Strengthen public information system	71,394	88,414	159,808
4.4 Promote the Azerbaijani Market to international investors	70,923	17,683	88,606
4.5 Improve public awareness of the Capital Market	71,394	70,731	142,125
4.6 Create a Capital Market Training Centre	285,578	123,780	409,358
Total Component D	**713,551**	**442,071**	**1,155,622**
Component E: Project management			
PIU[4] staff costs	23,591	29,505	53,096
Conversion charges	1,333	1,099	2,432
Bank charges	1,582	1,247	2,829
PIU[4] support costs	8,235	1,070	9,305
FMS[5] development costs	1,932	7,715	9,647
Translation fees	1,593	2,821	4,414
Training costs	13,950	-	13,950
Audit fees	16,458	-	16,458
Total Component E	**68,674**	**43,457**	**112,131**
Front-end fee	-	-	**30,000**
VAT (Government of Azerbaijan)	**354,711**	**302,884**	**657,595**
Total Uses of Funds by Project Components	**2,577,817**	**2,026,215**	**4,634,032**

1. *BSE – Baku Stock Exchange*
2. *SME – Small and Medium Enterprises*
3. *SCS – State Committee for Securities*
4. *PIU – Project Implementation Unit*
5. *FMS – Financial Management System*

Approved and signed on behalf of the Project Implementation Unit:

Bakhtiyar Azizov
PIU Director

April 24, 2014
Baku, the Republic of Azerbaijan

Azulla Huseynov
Head of Financial division

April 24, 2014
Baku, the Republic of Azerbaijan

The notes on pages 10-14 form an integral part of these Special-Purpose Financial Statements.

CAPITAL MARKETS MODERNIZATION PROJECT IMPLEMENTED BY THE STATE COMMITTEE FOR SECURITIES

STATEMENT OF DESIGNATED ACCOUNT
AS AT DECEMBER 31, 2013
(Amounts expressed in United States Dollars unless otherwise indicated)

IBRD Loan Number 8024-AZ

Account held at: International Bank of Azerbaijan OJSC

Account no: 33317018401841605204USD

Opening Designated Account balance as at January 1, 2013	238,552	
Add:		
IBRD advances during the year from January 1, 2013 to December 31, 2013	259,323	
Total outstanding amount advanced to Designated Account		**497,875**
Less:		
Closing Designated Account balance as at December 31, 2013 carried forward to the next period	(235,195)	
Amount of eligible expenditures paid during the year	(262,680)	
Total advanced amount during 2013		**(497,875)**
Discrepancy		-

Opening Designated Account balance as at January 1, 2012	-	
Add:		
IBRD advances during the year from January 1, 2012 to December 31, 2012	450,000	
Total outstanding amount advanced to Designated Account		**450,000**
Less:		
Closing Designated Account balance as at December 31, 2012 carried forward to the next period	(238,552)	
Amount of eligible expenditures paid during the year	(211,448)	
Total advanced amount during 2012		**(450,000)**
Discrepancy		-

Approved and signed on behalf of the Project Implementation Unit:

Bakhtiyar Azizov
PIU Director

April 24, 2014
Baku, the Republic of Azerbaijan

Azulla Huseynov
Head of Financial Division

April 24, 2014
Baku, the Republic of Azerbaijan

The notes on pages 10-14 form an integral part of these Special-Purpose Financial Statements.

CAPITAL MARKETS MODERNIZATION PROJECT IMPLEMENTED BY THE STATE COMMITTEE FOR SECURITIES

STATEMENT OF EXPENDITURE AND SUMMARY SHEET WITHDRAWAL SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2013

(Amounts expressed in United States Dollars unless otherwise indicated)

IBRD Loan Number 8024-AZ

	Advance payment	Direct Payments for Consultants' services including audit and training	Total application amounts submitted	Total application amounts received
CMMP/2012/01	150,000	-	150,000	**150,000**
CMMP/2012/02	300,000	-	300,000	**300,000**
CMMP/2012/03	-	-	33,942	-
CMMP/2012/04	-	1,511,883	1,511,883	**1,511,883**
Total applications reimbursed during the period since inception date to December 31, 2012	**450,000**	**1,511,883**	**1,995,825**	**1,961,883**
CMMP/2013/05	-	415,768	415,768	**415,768**
CMMP/2013/06	259,323	-	259,323	**259,323**
CMMP/2013/07	-	771,060	771,060	**771,060**
CMMP/2013/08	-	559,397	559,397	**559,397**
SCS-01	-	214,183	214,183	**214,183**
Total applications reimbursed during the year ended December 31, 2013	**259,323**	**1,960,408**	**2,219,731**	**2,219,731**

Approved and signed on behalf of the Project Implementation Unit:

Bakhtiyar Azizov
PIU Director

April 24, 2014
Baku, the Republic of Azerbaijan

Azulla Huseynov
Head of Financial Division

April 24, 2014
Baku, the Republic of Azerbaijan

The notes on pages 10-14 form an integral part of these Special-Purpose Financial Statements.

1. DESCRIPTION OF THE PROJECT

Capital Markets Modernization Project implemented by the State Committee for Securities of the Republic of Azerbaijan (the "Project") was formed under the loan agreement number 8024-AZ dated September 22, 2011 (the "Loan agreement") between the Republic of Azerbaijan (the "Recipient") and the International Bank for Reconstruction and Development ("IBRD") in the amount of USD 12,000,000. In addition to the Loan agreement, additional non-reimbursable contribution of up to a maximum amount of USD 1,600,000 will be provided by the Government of the Swiss Confederation according to the agreement between the Government of the Swiss Confederation and the Government of the Republic of Azerbaijan dated September 13, 2012 (the "Grant agreement") for the financing of the international labor for components B "Updating and Strengthening the Legal and Regulatory Framework" and component C "Stimulating Supply" of the Project. According to the Trust Fund Administration Agreement (the "Administration agreement") concluded between the Government of the Swiss Confederation and IBRD dated December 13, 2011 the Grant is co-ordinated and administered by IBRD. In addition to the Loan agreement and the Grant agreement, additional financing in the amount of USD 2,300,400 will be provided by the Government of the Republic of Azerbaijan. The Project is expected to be completed by December 31, 2015.

The overall Project objective is to assist the Recipient in increasing the use of equity and corporate debt as financing and/or investment instruments, through the adoption of an effective capital markets regulatory framework and infrastructure.

The Project consists of the following components:

Component A: Streamlining and Automating Market Infrastructure

This component will support:

i. Establishing capital market participant advisory groups;
ii. Establishing a single central independent national depository and consolidated clearance and settlement systems for all securities transactions in Azerbaijan;
iii. Expanding access to and functionality of the national depository by preparing and issuing new rules and procedures for a participant structure that allows custodians' access alongside broker-dealer participants;
iv. Increasing automation of the capital market by adopting modern and efficient trading, risk management, clearance, settlement and depository systems;
v. Establishing an appropriate capital market guarantee mechanism to ensure timely clearing and settlement of trades;
vi. Revision of the rules governing the national depository to reduce off-market transactions.

Component B: Updating and Strengthening the Legal and Regulatory Framework

This component will provide:

i. Conducting a comprehensive review of the existing legal and regulatory framework for capital market and preparing a new capital market law;
ii. Preparing the executive regulations for the new capital market law and the operating rules of the stock exchange, central depository and the clearing house;
iii. Adopting new licensing regimes for capital market participants in line with the new capital market law;

iv. Supporting the SCS and the tax authorities in the development of a policy for a favourable tax environment to attract capital market participants and transactions, through the provision of consultants' services;
v. Supporting the SCS and the relevant competent authorities in the development of a policy and regulatory framework to allow pooled investments by insurance companies;
vi. Introducing appropriate capital market adequacy and risk assessment methods for capital market participants.

Component C: Stimulating Supply

This component will provide:

i. Conducting a strategic assessment on the modality of attracting local and foreign issuers to list on the Baku Stock Exchange;
ii. Supporting the SCS and the Ministry of Finance to develop the government securities market;
iii. Developing the policy and regulatory framework to improve the corporate debt market;
iv. Supporting the SCS in developing a corporate education and outreach program on the business advantages of raising funds in the Azerbaijani capital market;
v. Supporting the SCS in developing a corporate education and outreach program on the business advantages of raising funds in the Azerbaijani capital market;
vi. Conducting: (a) an assessment of the impediments in the capital market and demands for introducing public- private partnerships to finance large infrastructure projects; and (b) an analysis of how the Azerbaijani capital market may support privatization by providing organized mechanisms for the bids and sales of shares.

Component D: Capacity Building

This component will support:

i. Conducting a training needs assessment and designing a training program to strengthen the capacity of SCS staff as well as developing a knowledge management system for the SCS;
ii. Revising SCS's internal systems, policies, structures and procedures in light of the new capital market law and adopting an action plan to strengthen the SCS's systems and operations;
iii. Strengthening surveillance, enforcement and reporting systems of SCS;
iv. Supporting the SCS in the development of investment conferences domestically and internationally to attract investors;
v. Undertaking a nationwide capital market public awareness campaign;
vi. Establishing a capital market training centre to provide continuous professional training for SCS staff and licensed capital market participants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Special-Purpose Financial Statements have been prepared on the cash basis of accounting in conformity with International Public Sector Accounting Standards ("IPSAS") "Financial Reporting under the Cash Basis of Accounting" issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants ("IFAC-PSC") and incorporate the principal accounting policies from the "Guidelines: Annual Financial Reporting and Auditing for World Bank Financed Activities".

Other basis of preparation criteria

The Special-Purpose Financial Statements are prepared under the historical cost basis of accounting. Source funding and government contributions are recognized when the related cash is received or paid out on the Project's behalf. Expenditures are accounted for on the basis of actual disbursement of funds from the Project's accounts.

Foreign currency transactions and translation

The Project uses the United States Dollar ("USD") as its functional currency for the following reasons:

a) The IBRD's funding is received in USD;
b) Budgets and financial reports for the Project are prepared in USD.

Balance sheet monetary items denominated in currencies other than USD have been translated into USD using the exchange rate of the Central Bank of the Republic of Azerbaijan ("CBRA") effective as at appropriate date. All income and expense transactions denominated in currencies other than USD are converted into USD using the exchange rate of the CBRA prevailing on the date of transaction.

3. CASH AT BANK

As at December 31, 2013 and 2012 the Project had cash at bank balances with International Bank of Azerbaijan ("IBA") as follows:

	December 31, 2013	December 31, 2012
IBRD Designated Account in USD	235,195	238,552
Project Account in AZN	14	-
Total cash at bank	**235,209**	**238,552**

4. DESIGNATED ACCOUNT

The Recipient has established a Designated Account at a commercial bank acceptable to the IBRD in accordance with the Loan Agreement. Designated Account is established, managed, replenished and liquidated in accordance with the IBRD's "Project's Operations Manual" and detailed arrangements agreed upon between the Recipient and the IBRD.

The Designated Account of the Project is maintained in USD with IBA (located in the Republic of Azerbaijan).

5. BASIS OF FUNDING AND ELIGIBLE EXPENDITURE

The following table specifies the categories of eligible expenditure that may be financed out of the allocations of the amounts indicated in the Loan Agreement to each category, and the percentage of expenditure to be financed for eligible expenditure in each category:

	Amount of the Loan Allocated (expressed in USD) by IBRD	Percentage of Expenditures to be financed (Net of VAT)
(1) Goods	4,300,000	100%
(2) Consultants' services including audit and training	7,600,000	100%
(3) Incremental Operating Costs	70,000	100%
(4) Front-end fee	30,000	0.25% of the total disbursement
TOTAL	**12,000,000**	

	Amount of the Grant Allocated (expressed in USD) by SECO	Percentage of Expenditures to be financed
(2) Consultants' services including audit and training	1,600,000	100%
TOTAL	**1,600,000**	

6. METHOD OF DISBURSEMENT

The methods of disbursement used from the inception of the financing up to and including December 31, 2013 were as follows:

Advance – the IBRD may advance loan proceeds into the Designated Account of the Recipient to finance eligible expenditure as they are incurred and for which supporting documents will be provided at a later date.

Direct Funding – the IBRD may make payments, at the Recipient's request, directly to a third party for eligible expenditure.

Reimbursement procedure – the IBRD may reimburse the Recipient for expenditure eligible for financing pursuant to the Loan Agreement that the Recipient has pre-financed from its own resources.

Commitment procedure – the IBRD may pay amounts to a third party for eligible expenditure under special commitments entered into, in writing, at the Recipient's request and on terms and conditions agreed between the IBRD and the Recipient.

7. METHOD OF WITHDRAWAL

IBRD Designated Account

Designated Accounts are designated disbursement accounts of the Project to effect the payment of eligible expenditure, within defined limits, which do not require individual authorization from the IBRD. Available amounts were drawn down within the limits determined by the relevant loan agreement for the payment of eligible expenditure for sub-contractors from the Designated Accounts.

Direct payments from the IBRD Designated Account

Under this method, the Project management prepares applications based on supporting documents which are submitted to the IBRD. Payments are made from the Loan Account directly to the contractors.

Project Account

The Project maintains a separate account where the Government funds are accumulated. The funds are further disbursed to sub-contractors based on the shares of expenditure to be incurred by each funding source.

Statement of expenditure ("SOE")

Under the SOE method, the Project forwards to the IBRD an application for reimbursement of payments already made using an application for withdrawal with SOE forms as the only documentation.

8. OPERATING ENVIRONMENT

The Project's principal business activities are within the Republic of Azerbaijan. Laws and regulations affecting entities operating in the Republic of Azerbaijan are subject to rapid changes and the Project's operations could be at risk due to negative changes in the political and business environment.