Project Agreement

(Additional Financing to the Second National Water Supply and Sanitation Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

AZERBAIJAN AMELIORATION AND WATER MANAGEMENT OPEN JOINT STOCK COMPANY

Dated October 22, 2014
PROJECT AGREEMENT

Agreement dated October 22, 2014, entered into between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and the AZERBAIJAN AMELIORATION AND WATER MANAGEMENT OPEN JOINT STOCK COMPANY ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between the Republic of Azerbaijan ("Borrower") and the Bank. The Bank 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 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 Loan 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 V 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 Bank 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 Chairman of the Project Implementing Entity.
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: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

3.03. The Project Implementing Entity’s Address is:

Azerbaijan Amelioration and Water Management Open Joint Stock Company
40 U. Hajibeyov Street, Government House, AZ1000
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

[Signature]
Authorized Representative

Name: Larisa Leshchenko
Title: Country Manager

AZERBAIJAN AMELIORATION AND WATER
MANAGEMENT OPEN JOINT STOCK COMPANY

By

[Signature]
Authorized Representative

Name: Ahmad Juma Ahmadzada
Title: Chairman
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Project Operational Manual, and shall not assign, amend, abrogate or waive any provisions of the Operational Manual without prior approval of the Bank.

2. At all times during the implementation of the Project, the Project Implementing Entity shall maintain the PIU with terms of reference acceptable to the Bank and shall entrust it with such functions and powers, and provide such funds, facilities and resources, including qualified and experienced staff in adequate numbers, as necessary.

3. The Project Implementing Entity shall retain, during the implementation of the Project, the services of a construction management company satisfactory to the Bank until the Bank's assessment has determined that the Project Implementing Entity has the capacity to take over such a responsibility independently.

B. Anti-Corruption

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

C. Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the EIAF, site-specific EIAs and EMPs, RPF and RAP, and shall not assign, amend, abrogate or waive the EIA, EMP, RPF and/or RAP or any provision thereof, without prior approval of the Bank.

2. Prior to the commencement of works for each proposed site, the Project Implementing Entity shall submit to the Bank evidence satisfactory to the Bank that: (a) the related site-specific EIA(s) and EMP(s) are prepared in accordance with the EIAF; (b) the provisions of the site-specific EIA(s) and EMP(s) are adequately included in the proposed contract(s) for said works; (c) such works are carried out in accordance with the respective site-specific EIA(s) and EMP(s); and (d) the owners or users of the land subject to acquisition due to implementation of said works under the Project, whether on a permanent or temporary basis, have been fully compensated in accordance with the provisions of the RAP.
3. Prior to construction works under Part A of the Project in Jalilabad and Masalli rayons, the Project Implementing Entity shall:

(a) engage an independent dam expert, acceptable to the Bank, to: (i) inspect and evaluate the safety status of the Vilashchay Dam in Masalli Rayon, 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 required for the Vilashchay Dam; and

(b) take appropriate measure and to carry out the Project in accordance with the recommendations set forth in the report referred to in sub-paragraph (a) above.

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 for the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Borrower not later two weeks 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 Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, 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 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 Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.
Section III. Procurement

All goods, works, non-consulting services and consultants' services required for 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 Loan Agreement.