Mr. Samir Sharifov  
Minister of Finance  
Ministry of Finance  
Republic of Azerbaijan  

Re: Republic of Azerbaijan: Japanese Grant for Co-financing the  
Corporate and Public Sector Accountability Project (Grant No.TF057849)  
Amendment to the Grant Agreement  

Dear Mr. Sharifov:

We refer to the Grant Agreement for the above-referenced Project, dated September 26, 2008 between the Republic of Azerbaijan (the Recipient) and the International Development Association (the World Bank), as amended (the Grant Agreement). We also refer to your letter dated September 21, 2013, requesting the World Bank to make certain amendments to the Grant Agreement as well as further discussions with the World Bank.

We are pleased to inform you that, after due consideration, the World Bank has agreed to amend the Grant Agreement as follows:

1. Section 2.01 of the Annex to the Grant Agreement is amended to read as follows:

   "2.01. Project Objectives and Description. The objective of the Project is to strengthen accountability and transparency in financial reporting for public and corporate sectors in line with international best practices, and to support institutional strengthening to sustain reforms. The Project consists of the following parts:

Component 1: Corporate Sector Accountability

   Establishment of the association of professional accountants of Azerbaijan through: (a) the development of the appropriate legal and institutional frameworks; and (b) capacity of the said association for translation, adoption and enforcement of IFRS and NASCOs.

Component 2: Public Sector Accountability

   1. Support to the public sector in implementing National Accounting Standards for Budget Organizations (NASBOs) which are based on International Public Sector Accounting Standards (IPSAS).

   2. Strengthening the capacity of the Chamber of Accounts of the Recipient.

   3. Creation of an electronic reporting system at selected ministries and public entities and the establishment of a maintenance and support center for such system through the provision of goods, consultants' services and Training."
Component 3: Strengthening of Accounting, Auditing and Financial Management Capacity

Establishment of an Azerbaijan Center for Professional Accounting and Audit Training Education and Research (ACPATER) under the Ministry of Finance of the Recipient, and which shall have broad responsibility for strengthening Azerbaijan accounting, auditing and financial management capacity.

Component 4: Project Management

Support of the PMU for effective implementation of the Project, through provision of goods, consultants' services and Training and financing of Incremental Operating Costs.”

2. Section 2.05(c)(ii) of the Annex to the Grant Agreement is amended to read as follows:

“(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan:

(A) National Competitive Bidding, subject to the following additional provisions:

(i) there shall be no eligibility restrictions based on nationality of bidder;

(ii) pre-qualification shall not be used for simple works procurement and shall be conducted only for large works contracts;

(iii) entities in which the State or a State official owns a shareholding of whatever size shall not be invited to participate in tenders for the Government unless they are and can be shown to be legally and financially autonomous and they operate under commercial law;

(iv) no national preferences may be applied on the basis of the origin of products or labor;

(v) joint venture partners shall be jointly and severally liable for their obligations;

(vi) no “participation fee” shall be required of bidders for the purchase of bidding documents. The only charge shall be equivalent to the cost of producing (copying) the bidding documents;

(vii) in the evaluation of bids, bids may not be rejected where they differ substantially from the estimated prices calculated by the procuring entity, except where the bid prices exceed the available budget;

(viii) rebidding shall not be carried out without prior approval of the World Bank;

(ix) works contracts of more than eighteen (18) months' duration shall include appropriate price adjustment provisions; and
(x) prior approval of the World Bank shall be required for any modification in the contract scope and conditions during implementation; and

(xii) standard bidding documents approved by the World Bank shall be used.

(B) Shopping; and

(C) Direct Contracting”

3. Section 2.05(d)(ii) of the Annex to the Grant Agreement is amended to read as follows:

“(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection under a Fixed Budget; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source Selection; and (E) Sole Source Procedures for the Selection of Individual Consultants.”

4. Section 3.03 of the Annex to the Grant Agreement is amended to read as follows:

“3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2015.”

5. All the terms and conditions of the Grant Agreement that have not been amended hereby shall remain unchanged and in full force and effect.

Please confirm your agreement to the foregoing by countersigning both copies of this amendment letter and returning one of the countersigned copies to us. Upon receipt by the World Bank of the copy of this amendment letter countersigned by you, this amendment letter will become effective as of the date of your countersignature.

Sincerely,

Larisa Leshchenk
Country Manager for Azerbaijan
Europe and Central Asia Region

CONFIRMED:

REPUBLIC OF AZERBAIJAN

By: __________
Authorized Representative

Name: Samir Sharifov

Title: __________

Date: November 22