The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
1818 H Street N.W.
Washington, D.C. 20433
U.S.A.
(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

October 4, 2012

F. E. Safarali Najmiddinov
Minister of Finance
Ministry of Finance
3. Akademikov Rajabovkh Ave.
Dushanbe, 734025
Republic of Tajikistan

Re: Tajikistan: Public Sector Accounting Reform Project
Grant No. TF012893

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Tajikistan ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by the Swiss State Secretariat for Economic Affairs ("Donor") under the Tajikistan Public Sector Accounting Reform Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed two million one hundred sixty thousand United States Dollars (USD $2,160,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By __________________________
Marsha Olive
Country Manager
World Bank Tajikistan Country Office

AGREED:
REPUBLIC OF TAJIKISTAN

By __________________________
Authorized Representative

Name: Safarali Najmiddinov
Title: Minister of Finance
Date: 09/10/2012

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

**Article II**

**Project Execution**

2.01. **Project Objectives and Description.** The objective of the Project is to improve the quality, reliability and consistency of financial reporting. The Project consists of the following parts:

**Part A:** **Adoption and Implementation of a Unified Chart of Accounts (UCOA)**
- Assure the quality of the final UCOA
- Test the new UCOA

**Part B:** **Development and Adoption of a Public Sector Accounting Policy**
- Establish an institutional framework for International Public Sector Accounting Standards (IPSAS) Adoption
- Establish the legislative basis for IPSAS adoption
- Translate IPSAS into the local language
- Establish accounting policies based on Stage 1 IPSAS adoption
- Design and implement a public relations communications strategy to underpin adoption

**Part C:** **Strengthening of institutional and technical capacities of government staff to use IPSAS and UCOA through training and networking**
- Design and conduct training for core staff
- Provide on-going advisory support to strengthen the capacity of the government staff
- Provide resources for networking and international cooperation in the accounting area
- Monitor implementation of the accounting procedures in line with policies
Part D: Strengthening Capacity of public financial management officials through training and networking

- Develop a training program, including materials
- Develop a training management capacity
- Design and create a website to serve as an interactive training resource

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Donor Visibility and Visit.
(a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.04. Project Monitoring, Reporting and Evaluation.
(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. Financial Management.
(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that quarterly unaudited financial reports for the Project are prepared and furnished to the World Bank within forty-five (45) days of the end of each calendar quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period. Audited project financial statements will be publicly disclosed in accordance with the Bank’s Access to Information Policy. The Recipient will publish the audit
report in a manner satisfactory to the World Bank and, upon receipt of the audit reports the World Bank will make them publicly available.

2.06 **Procurement**

(a) **General.** All goods, works, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan:

(A) Shopping; and  
(B) Direct Contracting

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan:
(A) Quality-based Selection;
(B) Selection under a Fixed Budget;
(C) Least Cost Selection;
(D) Selection based on Consultants’ Qualifications;
(E) Single-source Selection of consulting firms;
(F) Selection of Individual Consultants; and
(G) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures.
(a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

(b) The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Consultants’ Services, including Audit and Training, and Incremental Operating Costs for the Project</td>
<td>$2,160,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

(c) For the purposes of this section, the following definitions will apply:

(i) “Incremental Operating Costs” means the reasonable and necessary incremental expenditures related to the operation of the Project, including on account of Project
implementation, management, coordination, and monitoring and evaluation, as approved by the World Bank on the basis of budgets acceptable to the World Bank, which would not have been incurred absent the Project and include, inter alia, the costs of: (A) maintenance and operation of equipment and vehicles procured or used for the management of the Project; (B) salaries paid to staff hired for the purposes of the Project, other than civil servants' salaries; (C) travel costs and per diems; (D) consumable office supplies; (E) communication, printing and publications; (F) costs of translation and interpretation; (G) bank charges; and any other necessary or reasonable expenditures for activities directly related to operating the Trust Fund and approved by the World Bank; and

(ii) "Training" means Project related study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, travel, per diem costs of trainees, trainers and trainers’ fees, and interpretation and translation services.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is August 31, 2014.

Article IV
Recipient's Representative; Addresses

4.01. Recipient's Representative. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

4.02. Recipient's Address. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
3, Akademikov Rajabovych Ave.
Dushanbe, 734025
Republic of Tajikistan

Facsimile:
992-372-213329

4.03. World Bank's Address. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
<table>
<thead>
<tr>
<th>Cable:</th>
<th>Telex:</th>
<th>Facsimile:</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEVAS</td>
<td>248423 (MCI) or</td>
<td>1-202-477-6391</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>64145 (MCI)</td>
<td></td>
</tr>
</tbody>
</table>