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The World Bank**

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PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED CREDIT
IN THE AMOUNT OF SDR 5.6 MILLION (US\$7.5 MILLION EQUIVALENT)
TO THE
AZERBAIJAN REPUBLIC
FOR A
CULTURAL HERITAGE SUPPORT PROJECT
APRIL 20, 1999

Energy Sector Unit
Azerbaijan, Tajikistan, Uzbekistan and Aral Sea Country Unit
Europe and Central Asia Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective February 28, 1999)

Currency Unit = SDR

1 SDR = US\$1.362

US\$1 = SDR 0.734

FISCAL YEAR

January to December

ABBREVIATIONS AND ACRONYMS

ASR	-	Azerbaijani School of Restoration
Committee	-	Committee for the Conservation of Cultural and Historical Heritage
LIL	-	Learning and Innovation Loan
NGO	-	non-governmental organization
MIS	-	Management Information System
PIU	-	Project Implementation Unit
UNESCO	-	United Nations Education, Science and Culture Organization
UNDP	-	United Nations Development Program
WMF	-	World Monument Fund

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**Azerbaijan
Cultural Heritage Support Project**

CONTENTS

A. Project Development Objective.....	2
1. Project development objective and key performance indicators.....	2
B. Strategic Context	2
1. Sector-related CAS goal supported by the project.....	2
2. Main sector issues and Government strategy.....	3
3. Sector issues to be addressed by the project and strategic choices.....	4
C. Project Description Summary.....	6
1. Project components.....	6
2. Key policy and institutional reforms supported by the project.....	7
3. Benefits and target population.....	7
4. Institutional and implementation arrangements.....	8
D. Project Rationale	10
1. Project alternatives considered and reasons for rejection.....	10
2. Major related projects financed by the Bank and other development agencies.....	11
3. Lessons learned and reflected in proposed project design.....	11
4. Indications of borrower commitment and ownership.....	11
5. Value added of Bank support in this project.....	12
E. Summary Project Analyses.....	12
1. Economic.....	12
2. Financial.....	12
3. Technical.....	13
4. Institutional.....	13
5. Social.....	14
6. Environmental assessment.....	14
7. Participatory approach.....	15
F. Sustainability and Risks	15
1. Sustainability.....	15
2. Critical risks.....	16
3. Possible controversial aspects.....	16
G. Main Loan Conditions	16
1. Effectiveness conditions.....	16
2. Other.....	17
H. Readiness for Implementation	17
I. Compliance with Bank Policies.....	17

Annexes.....	18
Annex 1. Project Design Summary	18
Annex 2. Detailed Project Description.....	20
Annex 3. Estimated Project Costs.....	27
Annex 4. Financial Summary	28
Annex 5. Procurement and Disbursement Arrangements	29
Annex 6. Project Processing Budget and Schedule.....	38
Annex 7. Documents in Project File.....	39
Annex 8. Statement of Loans and Credits.....	40
Annex 9. Country at a Glance	42

Map

Azerbaijan
Cultural Heritage Support Project
Project Appraisal Document

Europe and Central Asia Region

Date: April 6, 1999	Team Leader: Peter Pollak
Country Director: Ishrat Husain	Sector Director: Hossein Razavi
Project ID: 58969	Sector: Cultural Heritage
Lending Instrument: Specific Investment Credit	Program Objective Category: EN, PV, HR
	Program of Targeted Intervention: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Project Financing Data Loan Credit Guarantee Other [Specify]

Amount (US\$m/SDRm): US\$7.5 million/5.6 SDR million

Proposed terms:

Grace period (years): 10 Multicurrency Single currency, specify
 Standard Variable Fixed LIBOR-based
 Years to maturity: 35
 Commitment fee: 0.5%
 Service charge: 0.75%

Financing plan (US\$m):

<i>Source</i>	<i>Local</i>	<i>Foreign</i>	<i>Total</i>
Government	1.40	0.00	1.40
IDA	2.90	4.60	7.50
Total	4.30	4.60	8.90

Borrower: Azerbaijan Republic

Guarantor: N/A

Responsible agency: Committee for the Conservation of Cultural and Historical Heritage

<i>Estimated disbursements (Bank FY/US\$m):</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Annual	0.75	3.19	2.35	1.01	0.20
Cumulative	0.75	3.94	6.29	7.30	7.50

Project implementation period: 3 years

Expected effectiveness date: September 1, 1999

Expected closing date: December 31, 2004

A: Project Development Objective

1. Project development objective and key performance indicators (see Annex 1):

The project development objective is to enhance the awareness of, and support for, Azerbaijan's culture and through that, help strengthen national identity and social cohesion at a difficult time of national transition. This, in turn, should contribute to stability and a favorable investment climate. This objective would be achieved through:

- the conservation and partial reconstruction of four historical monuments of global significance: the Shirvanshah Palace in Baku, the Palace of Khans in Sheki and the Karabaglar and Momine Khatum Mausoleums in Nakhchivan; and
- the strengthening of Azerbaijan's capacity to conserve and restore historical monuments.

Key performance indicators are:

- Increase in the number of visitors to cultural sites in Azerbaijan.
- Increase in the number of volunteers and non-governmental groups involved in the conservation and restoration of historical and cultural sites.
- Increase in the number of new site restorations.
- Increase in the funding from public and private sources for the conservation and restoration of historical and cultural sites.

B: Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project (see Annex 1):

CAS document number: 15948-AZ Date of latest CAS discussion: September 19, 1996

The Bank's country assistance strategy for Azerbaijan has four broad objectives: (a) to encourage sustainable economic growth led by an efficient and equitable private sector; (b) to enhance the competitiveness of sectors that are critical for accelerating economic growth; (c) to alleviate poverty; and (d) to resettle and rehabilitate people that have been displaced as a result of the conflict over Nagorno-Karabakh.

While the CAS does not explicitly include support for efforts to protect and restore Azerbaijan's cultural heritage, the proposed project contributes to the first and third objective in the following ways:

- **ENCOURAGING ECONOMIC GROWTH.** By raising the awareness of Azerbaijan's unique culture among its people, the project will strengthen the national identity and cohesion of its population and, through that, contribute to political stability, which is an important pre-condition for a favorable investment climate. As such, the project will make a small, but important contribution to the Government's long-term economic growth objectives.
- **ALLEVIATING POVERTY.** The primary means for achieving this objective is through sustained economic growth, which requires sound macro-economic policies, changes in the existing policy and institutional framework that would foster the development of an efficient private sector, and through short-term interventions targeted at vulnerable groups. Most of the people living around the four selected cultural heritage monuments are poor. The preservation and restoration of these monuments will create additional employment, initially for those involved in the work at the four sites and, after completion of the work, for those involved in tourism to these sites. Enhancing Azerbaijan's capacity to conserve and restore its cultural monuments will sustain the creation of additional employment, as the agencies involved in this effort would then be able to expand their operations. In addition, the restored monuments will require additional personnel for upkeep and protection.

2. Main sector issues and Government strategy:

Azerbaijan's location at the intersection of major trading routes, some of which date back to pre-historic times, accounts for its unique culture, which has assimilated influences stretching from China to Western Europe and from the Arab world to Russia. Its numerous monuments bear witness not only to these influences, but more importantly to Azerbaijan's contributions to the cultures of its neighboring countries. (The architectural school of Ajemi in Nakhchivan, for example, had considerable influence on Persia's architecture in the 12th century.)

While the Soviet regime made efforts to preserve the rich variety of the cultures of the people living in its 15 republics and 89 autonomous regions, priority was given to the support for a common Soviet culture that reflected the values of socialism. During this time the preservation of cultural monuments was largely in the hands of the Ministry of Culture of the Soviet Union and Soviet Republics. Its primary role was to identify, record, preserve, restore and utilize monuments. Work undertaken by professional restorers was performed in line with state-of-the-art practices prevailing then. Serious efforts were undertaken to document and preserve cultural monuments. The work of the professional staff involved was excellent measured by the standards of the time. About 60 conservation and restoration experts were trained each year at a school that specialized in restoration and conservation activities. Starting in 1988, the efforts to preserve cultural monuments began to lose momentum and important monuments began to deteriorate. The main reason was a sharp drop in visitors to these monuments as a result of the conflict over Nagorno-Karabakh. This trend began to accelerate with the sharp contraction of economic activity after the collapse of the Soviet Union in 1992.

As a result of these developments Azerbaijan's ability to preserve its cultural monuments has been greatly diminished:

- **LACK OF FINANCIAL RESOURCES.** Government agencies involved in the preservation of cultural monuments lack the financial resources to prevent further deterioration of even the most important monuments. The fact that monuments are spread over a wide area and are often difficult to access further has exacerbated this situation.
- **LACK OF A NATIONAL CULTURAL HERITAGE PRESERVATION STRATEGY.** With the limited funds allocated for cultural heritage preservation, the various Government agencies involved in this effort aim to restore monuments that have the greatest significance to the people of Azerbaijan and prevent irreparable damage to other culturally significant sites. Assistance will be provided under this project to refine this strategy and develop a phased action program for dealing with the most precious and most threatened sites first, realizing that the Government cannot possibly undertake all the conservation measures that would be required in the near term.
- **DISREGARD FOR PROPER CONSERVATION OF SITES.** With the renewed interest in the revival of Azerbaijan's culture and the drive for re-establishing its national identity, agencies emphasized the restoration and reconstruction of monuments over their conservation, even if available information about these monuments did not allow for proper restoration.
- **LACK OF PROPER PLANNING AND CONCEPTUALIZATION BEFORE THE START OF RESTORATION.** Agencies are keen to show material results and therefore, often proceed with restorations without having a concept of the ultimate objective of the restoration effort. (Some monuments can be used as museums. This requires careful planning before the process of restoration is started to allow for the installation of light switches, climatic controls, rest rooms, etc.)
- **SKILLS AT ALL LEVELS ARE NO LONGER STATE-OF-THE-ART.** With the decline in the emphasis on proper restoration and conservation, the number of skilled restorers, designers, and other specialized craftsmen has dwindled; their tools are outdated; and many of their approaches and practices are no longer state-of-the art.
- **LACK OF PROPER EQUIPMENT AND TOOLS.** While the capacity of the agencies to carry out preservation and restoration work seemed to have been state-of-the-art up to the 1960s, they have

not been able to keep up with the technological progress that has taken place since then. The agencies involved have no computers and outdated diagnostic equipment; craftsmen, while highly skilled in basic masonry, work with the most primitive tools. The result is often irreparable damage to historical materials.

Recognizing the significant national and global value of its cultural heritage and its potential to enhance social cohesion and revive the tourism industry, the Government has:

- passed a law to regulate the conservation of national monuments in Azerbaijan -- the law provides additional efforts to develop preservation of national values, improve the quality of restoration works, etc.;
- initiated efforts to streamline its governmental organizations for these efforts with the objective to privatize some of these agencies. The Government has prepared a plan for the privatization of agencies involved into the restoration of cultural monuments; and
- asked for the Bank's assistance for the ongoing efforts in conserving and restoring key monuments and support for strengthening the capacities of the agencies involved in these efforts to bring them in line with leading organizations in the rest of the world.

The financing needs for these activities are huge. Azerbaijan's many rulers have left behind over 7,000 monuments, many of which are of global importance. Only seven monuments have been catalogued with the assistance of UNESCO; and quite a few have been proposed as World Heritage Sites. A growing number of these monuments currently face the risk of irreparable damages, as result of the lack of funding in recent years for conserving them. The Committee for the Conservation of Cultural and Historical Heritage (the Committee) estimates that about 20 percent of these monuments are in urgent need of conservation; emergency measures would be required to prevent further irreparable damage.

The Government expects that most of the preservation and restoration work will be carried out by its local agencies, which will have to rely increasingly on sources other than the budget to meet the large financing requirements for cultural heritage conservation. The Government is therefore keen to:

- enhance the capacity of these agencies so that they can carry out this work with the kind of approaches and technologies that are used by leading institutions around the world;
- raise the profitability of these agencies by privatizing them, thus allowing them to accept business from private clients (e.g. for the restoration of private residences and offices);
- encourage support for these activities from the public and non-governmental organizations (NGOs) intensifying public awareness programs; and
- increase the availability of skilled craftsmen throughout the country to meet the urgent demand for restoration activities at various locations simultaneously; and
- utilize the proposed project to leverage assistance from other donors for cultural heritage conservation and restoration.

3. Sector issues to be addressed by the project and strategic choices:

Over the past three decades the agencies involved in cultural heritage conservation have lost their state-of-the-art skills and the managerial and financial capacity to deal with the increasingly urgent need for the restoration of historical monuments. The proposed project will test several approaches to support the Government's efforts to revitalize Azerbaijan's culture. They include:

- strengthening Azerbaijan's capacity to restore and preserve its culture;
- providing financial support for the restoration of several monuments that have a critical significance for the revitalization of Azerbaijan's culture; and
- assisting the Government in tapping further support from private sources and other international donors.

The most important issue the proposed project addresses is to raise the skill levels of key staff in the agencies involved in cultural heritage, most importantly the Committee, since this is the primary agency involved in the conservation of historical monuments. Four approaches will be tested:

- Study tours to leading institutions in the field of conservation and restoration of historical monuments to familiarize staff with state-of-the-art approaches, methodologies and technologies;
- a post graduate training program for a small number of graduates of the Azerbaijan School of Restoration (ASR) at one of the leading institutions in this field will be organized to train a core number of staff, who would be expected to train other staff in Azerbaijan and supervise conservation and restoration projects;
- assignment of a leading consultant to act as a technical advisor to the Committee for the preparation of the technical specifications of tenders and the monitoring of their implementation; and
- use of one of the subcomponents of this project (restoration of the Divanhane in Shirvanshah Palace), to train staff involved in the restoration of the palace in all aspects of restoration, from proper design to specialized stone masonry and the washing of the structures with specially designed equipment. An expatriate specialist will work with staff of the Committee, including local stone masons, in all phases of the restoration of the Divanhane. He will not only train local staff, but ensure that work is carried out at state-of-the-art standards.

In parallel to the training outlined above, the project will assist the Government in the restoration and preservation of four monuments: the Shirvanshah Palace in Baku, the Palace of Khans in Sheki and the Karabaglar and Momine Khatum Mausoleums in Nakhchivan. These monuments were selected because of their importance in Azerbaijan's culture, their global significance and the fact that they would suffer irreparable damage unless steps are taken now to conserve them.

The main issue, in addition to the lack of proper skills, is the lack of adequate financing for the restoration efforts. The total costs of the full restoration of the four monuments is estimated at US\$15 million. Since this project finances only part of the restoration of the four monuments, the Committee plans to use the project to improve their chances of securing co-financing from other international donors and the private sector, in particular the international oil companies represented in Baku. In parallel, the Committee plans to intensify its public awareness program to gain additional support for its activities from local NGOs and the public. Support for the public awareness program will be provided under the project.

C: Project Description Summary

1. Project components (see Annex 2 for detailed description and Annex 3 for a detailed cost breakdown):

<i>Component</i>	<i>Category</i>	<i>Cost Incl. Contingencies (US\$M)</i>	<i>% of Total</i>	<i>Bank- financing (US\$M)</i>	<i>% of Bank- financing</i>
Shirvanshah Palace		3.09	34.7%	2.48	33.1%
Concept paper for ensemble, detailed plan for palace residence (2nd floor)		0.06	0.7%	0.06	0.8%
Reconstruction of palace residence (2nd floor)	Physical	2.38	26.7%	1.87	24.9%
Conservation of Divanhane	Physical	0.50	5.6%	0.40	5.3%
Low pressure cleansing device	Physical	0.15	1.7%	0.15	2.0%
Sheki Palace of Khans		3.11	34.9%	2.52	33.6%
Concept paper for restoration (includes study of statics, humidity and paintings)	Physical	0.15	1.7%	0.15	2.0%
Static restoration and climate control	Physical	1.10	12.4%	0.88	11.7%
Restoration of woodwork and glass	Physical	0.61	6.9%	0.49	6.5%
Woodworking tools	Physical	0.05	0.6%	0.04	0.5%
Restoration of wall paintings	Physical	1.20	13.5%	0.96	12.8%
Karabaglar		0.86	9.7%	0.70	9.3%
Study of twin minarets stability/ preparation of project concept	Physical	0.06	0.7%	0.06	0.8%
Bracing and rainproofing minarets	Physical	0.25	2.8%	0.20	2.7%
Conserve/restore mausoleum and site	Physical	0.55	6.2%	0.44	5.9%
Momine-Khatum Mausoleum		0.28	3.1%	0.24	3.2%
Study of movement of mausoleum	Physical	0.06	0.7%	0.06	0.8%
Conservation work (cleaning, restoration of cupola, waterproofing)	Physical	0.22	2.5%	0.18	2.4%
Institution Building		1.26	14.2%	1.26	16.8%
Study tour of Europe	Inst. Bldg.	0.12	1.3%	0.12	1.6%
Training of young restorers	Inst. Bldg.	0.18	2.0%	0.18	2.4%
Equipment for archives	Physical	0.13	1.5%	0.13	1.7%
Inventory and computerization of archives	Physical	0.06	0.7%	0.06	0.8%
Equipment for Institute	Physical	0.18	2.0%	0.18	2.4%
Auditor	Other	0.17	1.9%	0.17	2.3%
Local procurement consultant	Proj. Mgt.	0.07	0.8%	0.07	0.9%
Technical consultancy support	Proj. Mgt.	0.35	3.9%	0.35	4.7%
Incremental Operating Costs		0.30	3.4%	0.30	4.0%
Total		8.90	100.0%	7.50	100.0%

2. Key policy and institutional reforms supported by the project:

- **GREATER INVOLVEMENT OF THE PRIVATE SECTOR.** The project supports the implementation of a new legal framework that will set the stage for the privatization of the state agencies currently involved in the restoration and conservation of historical and cultural sites, and permit a greater involvement of the private sector in these activities.
- **BUILDING OF PARTNERSHIPS.** The project builds on the work carried out by UNESCO, which assisted the Government in the preparation of a strategy for the restoration and preservation of historical cultural monuments. The preparation of the project was carried out in close cooperation with the local UNDP office. The project will provide support for a campaign to attract financing from international companies that have established offices in Baku for ongoing efforts to preserve Azerbaijan's unique culture.
- **UPGRADING OF SKILLS.** The conflict over Nagorno-Karabakh has led to the departure of large numbers of skilled restorers and workmen. In addition, severe constraints on the Government's budget contributed to a sharp decline in the allocations for equipment and the training of new staff. The project provides for study tours to familiarize key personnel with state-of-the art practices in the restoration and conservation of monuments; for the post-graduate training of a limited number of students at leading institutions abroad; and for hands-on training of staff in the reconstruction of the Divanhane where an expatriate master restorer would work with local staff in all stages of the restoration of this part of the Shirvanshah Palace while instructing them in the use of state of the art technologies.
- **SUPPORT TO LOCAL NGOS INVOLVED IN THE CONSERVATION OF CULTURAL HERITAGE.** With the collapse of the Soviet Union, the number of non-governmental organizations involved in the preservation of Azerbaijan's cultural heritage has increased considerably. The restoration of one of the monuments included under this project, the Momine-Khatum Mausoleum, has been initiated by of these organizations. Through a targeted information campaign, this project will elicit the active participation and support of these groups in the monuments which will be restored under this project.

3. Benefits and target population:

- **AZERBAIJAN'S POPULATION.** Restoration of Azerbaijan's culture was one of the top priorities of the government after the break-up of the Soviet Union. The restoration of monuments that played an important role in the rich history of the country was a key element of this strategy. Two of the monuments included under this project, the Shirvanshah Palace and the Momine-Khatum Mausoleum, are reproduced on the 10,000 and 50,000 Manat notes, respectively. The restored monuments will convey to visitors the important historical role of Azerbaijan in the region and, because of its location on the Silk Road, beyond the region. It will deepen the understanding of what it means to be Azerbaijani and, as such, contribute to social cohesion in the country. In addition, investments that will be made under the project to preserve existing documentation about Azerbaijan's historical cultural sites will lay the foundation for further restoration efforts.
- **LOCAL COMMUNITIES.** This investment project will directly benefit local communities at the sites in Sheki, Baku and Nakhchivan through additional employment arising from renovation work and the increase in tourism.
- **COMMITTEE FOR THE RESTORATION AND PRESERVATION OF HISTORICAL AND CULTURAL MONUMENTS.** The Committee will be the primary beneficiary from the efforts in the project to bring approaches and planning for restoration and conservation activities in line with the state of the art practices. In addition, implementation of the project will expose the staff of the Committee to modern accounting, procurement and project management practices. The Bank's involvement in the restoration of these important monuments will facilitate the Committee's efforts to raise additional funds for other restoration activities.

- **RESTORERS AND WORKMEN.** A special effort will be made under the project to upgrade the skills of the people who actually carry out the physical restoration of the monuments. Together with the businesses in the local communities, they will be the primary financial beneficiaries.

4. Institutional and implementation arrangements:

Project implementation period: The project will be implemented over a period of approximately three years starting September 1, 1999. The project completion date would be June 30, 2002 and the Credit closing date would be December 31, 2002.

Executing agency. The Committee for the Conservation of Cultural and Historical Heritage is in charge of the restoration of all monuments in Azerbaijan and would also be responsible for the execution of this project. The Committee has one design institute, three regional centers for conservation of monuments, eight restoration and production institutes, three workshops and a few construction brigades. It is headed by a Chairman with two Deputy Chairmen and has a total staff of 500 people and a state funded budget of US\$200,000 equivalent. The Chairman reports to one of the Vice-Prime Ministers in the Cabinet. Though the Committee is has responsibility for all activities relating to the monuments, many of the actual works in the field are being done by other agencies. The Shirvanshah palace in Baku is being restored by Baku municipality. The Momine-Khatum Mausoleum at Nakhchivan is being maintained by public contribution. The cost of about 300 security guards employed for the protection of monuments is borne by the local governments.

Implementing agency. The project will be implemented through a Project Implementation Unit (PIU), which will be organizationally located at the Committee and headed by a Deputy Chairman with extensive experience in the conservation and restoration of historical and cultural monuments in the country. He will be assisted by a chief accountant, a procurement manager, a chief architect, a technical consultant, a secretary/translator and driver. Establishing the PIU with proper legal authority, staffed with personnel acceptable to IDA, will be a condition of effectiveness. The Deputy Chairman, designated as Project Coordinator, and his staff will be responsible for the overall implementation of the project, including the institutional development program. The PIU will set up sub-units at each of the three regional offices of the Committee in Baku, Sheki and Nakhchivan. Within each of these units there will be a project manager, a bookkeeper and a procurement manager. These sub-units will be responsible for monitoring the implementation of the subcomponents in their respective regional areas. The PIU will be responsible for the implementation of **all** components of the proposed project. The restoration of the Shirvanshah Palace, is carried out by the Municipality of Baku. To streamline the execution of the project, the Government has agreed to transfer the responsibility for the restoration and conservation of the monuments included under the project to the Committee.

Project administration. The PIU will have officers for: (i) overall project management and coordination; (ii) procurement, including preparation of bid documents and entering into contracts for civil works, goods, and consultant services; (iii) financial management; (iv) progress monitoring, evaluation and reporting; and (v) partnership building with NGOs and the international donor community and local community outreach. The PIU will have an expatriate consultant to assist in implementing, monitoring and evaluation of the project. Support for setting up the office facilities of the PIU, including communications equipment, will be provided under the proposed credit.

Procurement and disbursement. Since the procurement officer at the PIU will not be familiar with the Bank's procurement procedures, financing will be provided for a procurement specialist to assist in the preparation of tender documents, bid evaluations, etc. for the first year of project implementation. In parallel, procurement training will be provided for the procurement officer. The technical specifications for the bid documents for the various conservation and restoration activities will be prepared by the regional units of the PIU. These specifications will be reviewed by an expatriate restoration and conservation expert. Annex 5

contains a summary of the arrangements covering procurement of civil works, goods and consultant services, as well as disbursements. Because expertise in restoration and conservation is absolutely critical for this task, selection of the expatriate consultant will be on the basis of quality alone. For the same reasons, all civil works and procurement of goods whether under ICB, NCB or IS will be subject to prior review by the Bank.

Planning and budgeting. An estimate of the cost for the project is provided in Annex 3. The chief accountant working closely with the chief architect and technical consultant will prepare annual budgets and work plans for the individual sites. The chief accountant will also prepare estimates of the funding required from the Government's budget and call on counterpart funds as the project implementation progresses.

Accounting, financial reporting and auditing arrangements. The chief accountant, who will have internationally recognized accounting qualifications and experience of working with international organizations, has overall responsibility for the preparation of the financial reports for this project. His office will also be responsible for compiling accurate and timely information from the various project sites for the financial management reports. Under the project, training and guidance will be provided for staff involved in procurement and financial administration. The project financial statements will be prepared in accordance with International Accounting Standards. A chart of accounts for the project will be designed by the chief accountant with expert assistance. The chart of accounts will be linked to the category schedule of the credit agreement and the program of activities so as to provide the necessary information for the preparation of the quarterly project monitoring report.

Accounting procedures. As part of an action plan, a procedure manual will be prepared. It will include a detailed section covering the accounting function for the project; the overall responsibilities for the chief accountant and the bookkeepers; the desired education and experience for the staff; the reporting formats for the quarterly accounts; the chart of accounts, monthly general ledgers closing procedures; the internal control procedures and guidelines for the operation of the banking and payments system. The procedure manual will be prepared by the chief accountant and reviewed by the Bank's financial management specialist. Updates to the procedure manual will be carried out periodically during project implementation.

Disbursements and Special Account. The project is not ready to disburse under LACI and traditional disbursement procedures will apply for the foreseeable future. The Committee will provide the necessary structure for the implementation of the project activities before effectiveness of the proposed credit. Guidance and assistance will be provided to the PIU to establish a reliable financial management system for the project. An action plan has been designed to identify the key elements required for the project to be compliant with the Bank's operating procedures. The project will maintain a Special Account in Baku in US Dollars into which the proceeds of the credit will be deposited. In addition, the PIU will also maintain a project account in local currency, which will be used to deposit the Government's share of project funding and to pay for local expenditures. All bank accounts associated with this project must be reconciled on a monthly basis.

Audit requirements. The annual audit of the project accounts will be carried out by a firm of independent auditors. Their appointment is a condition of effectiveness. The audit will be carried out in accordance with International Standards on Auditing. The audited reports, which will include an opinion on the status of the operation of the Special Account and the Statement of Expenditures, together with a management letter, will be presented to the Bank no later than six months after the end of the fiscal year to which it relates together with comments of the PIU on the matters raised in the management letter and proposals for implementing those recommendations.

Computerization of accounts. To produce timely and accurate reports, the accounting system of the PIU and the associated field offices at the project sites will be computerized. Computerization will commence with the main office and the chart of accounts copied to the field offices. The selection and operation of an

appropriate integrated accounting software package will be the responsibility of the chief accountant. The computer records and supporting documentation will be kept in sufficient detail to facilitate the auditing of the project accounts and project supervision.

Project oversight. A oversight commission, with representation from the President's office, Parliament, the Ministry of Finance, the Ministry of Culture, the Academy of Sciences, NGOs and the public will be established to provide policy guidance, facilitate coordination, and oversee implementation. The commission will have 8-10 members, and meet at least twice a year. The Bank's supervision team will also provide oversight and quality control.

Monitoring and evaluation arrangements. The conservation and restoration of monuments are highly specialized jobs. They must be carefully planned, designed and carried out to maintain a high degree of authenticity. In order to keep a tight schedule during the implementation of the project, a Management Information System (MIS) suited to the project will be designed by a specialist to serve as the key project monitoring tool. The PIU will be responsible for monitoring the progress against specific performance and impact monitoring indicators. These indicators will include detailed progress benchmarks covering the progress of procurement activities, implementation of contracts, institutional arrangements, and utilization of funds and disbursements. A Review of the progress will be conducted at the end of each year, and an Implementation Completion Report will be prepared six months after the final disbursement of the credit.

D: Project Rationale

1. Project alternatives considered and reasons for rejection:

Several options for meeting the Government's request for support for the restoration of selected monuments have been considered:

- The first option was to include this activity as part of another investment project, such as an environmental mitigation project or infrastructure project. This idea was rejected since this would have introduced additional and drastically different development objectives. Because of the unique nature of cultural heritage projects, it was felt that including it as component of another project would complicate the implementation arrangements and heighten the risk of not achieving the desired results for either one.
- The second option that was explored was to provide the Bank's support through a self-standing Learning and Innovation Loan (LIL). As a self-standing project, it would have a clear focus and, as a LIL, it would have permitted experimentation and learning in a sector that is relatively new to the Bank. When this option was discussed with the client, it became clear that the ceiling of US\$5.0 million on the Bank's financing would make it impossible to complete the restoration of one of the two major monuments (the Sheki Palace). The client strongly opposed reducing the scope of the project by dropping any of the selected monuments and they were equally reluctant to agree to completing only the structural restoration of the Sheki Palace leaving the restoration of the interior unfinished.
- In view of the above considerations it was decided to process this project as a self-standing investment project. Many of the opportunities for exploration and learning were maintained through extensive arrangements for monitoring and evaluation.

2. Major related projects financed by the Bank and other development agencies (completed, ongoing and planned):

<i>Sector issue</i>	<i>Project</i>	<i>Latest Supervision Ratings (Bank-financed projects only)</i>	
		<i>Implementa- tion Progress</i>	<i>Development Objective</i>
<u>Bank-financed</u> Cultural Heritage	Georgia: Cultural Heritage Project Romania: Cultural Heritage Project	S	S
<u>Other development agencies</u> UNESCO World Monuments Fund	World Heritage Sites Program 100 Most Endangered Sites		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. Lessons learned and reflected in the project design:

Support for cultural heritage is a relatively recent initiative in the Bank. It is therefore too early to draw lessons from similar projects in this sector. However, lessons from the preparation and early implementation of the Georgia Cultural Heritage LIL provide useful indications:

- Project Implementation Units should be established as soon as possible.
- The project design should be kept simple to ensure timely implementation, particularly if the implementing agency has had no prior exposure to the Bank.
- PIU staff needs to receive training in areas that are critical for achieving the project objectives, such as general project management, procurement, financial management and disbursement, monitoring and evaluation.
- The implementation of project components should be phased so as not to strain the capacity of the PIU during the first year.
- Community involvement and stakeholder participation is critical for building ownership.
- Efforts to build partnerships with the private sector and other international organizations involved in the preservation of cultural heritage is the key for sustainability.

4. Indications of borrower commitment and ownership:

The Government, with the full support of the President of Azerbaijan, requested support for this project and selected the monuments to be restored under the project. During project preparation agreement was reached on the implementing agency, which is in the process of establishing a PIU. An experienced officer of the Committee has been selected to head this unit.

In spite of serious budget constraints the city administration of Baku (with financial support from the Government) has already begun the restoration of the Shirvanshah Palace. The Shirvanshah Palace is considered Azerbaijan's most important national monument and is the focal point of Azerbaijan's ongoing restoration efforts. In addition, a local community group has reconstructed portions of the Momine-Khatum Mausoleum in Nakhchivan without outside financial support. The Government is actively seeking assistance from other donors.

5. Value added of Bank support in this project:

- **INCREASING THE AWARENESS OF AZERBAIJAN'S CULTURAL HISTORICAL SITES.** In spite of the fact that Azerbaijan has over 7000 historical monuments, some dating back to prehistoric times, only the Ancient City (Icheri Sheher) is included in UNESCO's World Heritage list and none are on the World Monuments Fund 100 Most Endangered Sites. By raising awareness of Azerbaijan's rich cultural heritage, the project will greatly facilitate the efforts of government agencies to attract financing for the restoration of historical monuments.
- **FINANCIAL SUPPORT FOR THE RESTORATION OF MONUMENTS.** Other organizations, such as UNESCO, are providing technical assistance in preserving Azerbaijan's cultural heritage, not investment in the actual restoration of monuments. The Bank is the only donor that will have actually financed the restoration of major historical sites.
- **INTRODUCING STATE OF THE ART SKILLS IN RESTORING MONUMENTS.** A major result of the Bank's involvement will be the training of young restorers abroad and the familiarization of the management of the Committee with state of the art restoration techniques. This will contribute to the revival of the training for restoration and conservation in Azerbaijan.
- **CATALYZING SUPPORT FROM OTHER DONORS.** Bank involvement will also help in catalyzing assistance from other donors and strengthen the kind of partnership arrangements internationally that the Government seeks as part of its long-term strategy for the sector.

E: Summary Project Analysis

1. Economic:

The project is expected to generate the following benefits: (a) improve or preserve assets that will strengthen the social cohesion of the population in Azerbaijan; (b) these assets, in particular the restoration of the Shirvanshah Palace and the Sheki Palace of Khans, will become major tourist attractions that will stimulate tourism to Baku and Sheki with associated benefits to the economies of these two cities; (c) strengthen Azerbaijan's capacity to restore its historical and cultural monuments; (d) upgrade the skills of restorers and workmen involved in the restoration of the selected monuments; (e) assist the government in attracting additional finance for the restoration of historical sites; and (f) contribute to stronger community involvement and support for cultural heritage preservation as an important social and economic asset. Because of the lack of reliable statistical data for the activities supported by the project, it is neither possible nor meaningful to estimate an overall economic rate of return. However, as part of the monitoring and evaluation efforts supported by the project, an effort will be made to develop an appropriate methodology for an in depth assessment of the economic and financial benefits of the restoration activities supported by the project.

2. Financial:

In spite of its numerous and significant benefits, the lack of appropriate data make a meaningful financial analysis impossible. An increase in tourism to Baku and Sheki and in employment, as a result of the restoration activities, with all the associated benefits to the local economies of these two cities, and higher earnings of restorers and workmen, after benefiting from the upgrading of their skills, will be main quantifiable financial benefits from this project. As indicated above, an effort will be made to quantify the financial benefits from this project as part of its ongoing monitoring and evaluation.

Fiscal impact. By helping to improve the management of the restoration and conservation of cultural assets in a more cost-effective manner by (a) strengthen the capacities of local agencies involved in these activities and (b) through public-private partnerships, the project will have a potentially significant impact in reducing budgetary outlays over time and stimulating tourism to selected areas, such as Baku and Sheki. The counterpart contribution for the project from the government is estimated at US\$1.4 million equivalent over

three years, or about 15.7% of total project cost including contingencies. The Government's share of the total costs is not expected to exceed US\$0.5 million equivalent in any given year.

3. Technical:

Azerbaijan has a large number of highly skilled craftsmen, in particular stone masons, who have been trained in the traditional methods of carving stones, firing bricks, and wood working technologies that have been in use for hundreds of years. These methods are labor intensive and require few tools. The monuments included under the project were built by craftsmen using pretty much the same technologies. (As far the restoration of the Shirvanshah Palace is concerned, even the rock is cut from the quarry where the original raw material came from!) Thus, they certainly have the capacity to carry out much of the restoration work included under this project.

However, the craftsmen have little experience with modern methods of the conservation and repair of original building materials. While they would prefer to replace part of a building that suffered damage over time, modern restorers would use sophisticated methods to preserve the original material to the maximum extent. Under the project, training in the specialized techniques in masonry/stone restoration appropriate for monuments will be provided. An experienced expatriate master mason and restorer will work with a team of local stone masons in the restoration of the Divanhane. Other techniques to be used in this project are very modern and new to the region, such as the specialized low-pressure-washing equipment for cleaning the surface of stone monuments and devices to monitor the rate of building tilt. Most importantly, agency staff responsible for restoration and management of cultural monuments will gain extensive technical and managerial expertise in the state of the practice in monument restoration via the study tours, continued education, and interaction with national and international experts involved in the studies and works. They will gain valuable experience in managing projects, by preparing the bid documents, reviewing technical reports, overseeing the construction works, etc. All of the technical and managerial requirements of the project will greatly strengthen the capacity of the various government agencies involved in the work.

4. Institutional:

Implementing agency's capacity. The project will be implemented by a PIU to be set up under the Committee. Although the Project Coordinator has extensive experience in preservation and restoration of monuments, the unit will have no prior experience in project implementation. The other members who will be drawn from the existing staff of the Committee include a procurement officer and a chief accountant. Another officer will be in charge of progress monitoring and evaluation. The concept plan and cost estimates will be prepared in the site offices and detail engineering will be done at the AZERBARPA design institute, which has extensive experience. Expatriate and local consultants will be used to assist the members.

Distribution of responsibilities within the PIU. Civil works for the preservation and restoration of monuments will be carried out by civil works contractors who will be supervised by site offices. The procurement officer will be responsible for all activities for the procurement of civil works, goods and consultant, ranging from preparation of bid documents to signing of contracts. The design institute will be responsible for the preparation of detail engineering. The chief accountant will be responsible for establishment and maintenance of project accounts in accordance with IDA's guidelines. The monitoring officer will be responsible for getting a Management Information System (MIS) in place for monitoring the progress against specific monitoring indicators. The Project Coordinator will have the overall responsibility for implementing the project, expenditure control, institution building, coordination with site offices, maintenance of liaison with the Committee and through it with the Government, and communication with the Bank. Some of the activities like preparation of concept plan and cost estimate, preparation of bid documents and MIS for project monitoring and control system will require outside assistance at the beginning.

Needs for technical assistance and training. The project has technical assistance components to strengthen the institutional capacity of the PIU:

- senior Committee members to visit foreign institutions to acquaint themselves with the modern approach to conservation and restoration;
- as a part of institution building young restorers to study abroad to learn the latest techniques;
- provide technical support to sites in the preparation of concept plan and cost estimates;
- provide technical support to the PIU to enable it to design an effective system for implementation control and monitoring of work in progress;
- train the procurement officer in Bank's procurement system and fund a local consultant to assist the PIU for one year;
- train local artisans in the use of modern equipment and tools;
- finance procurement of equipment to strengthen the infrastructure and design facilities at AZERBAPRA, the design institute;
- introduce computer and modern communication system at all PIU offices for improving office facilities and for maintaining regular electronic mail contact between the site offices and the PIU, and between the PIU and the Bank; and
- computerize the archive to improve inventory maintenance, and procure fireproof document storage facilities.

Agreement was reached with the Government to: (i) provide the PIU and its regional units with an annual budget sufficient to cover regular operating costs such as rental of separate office space, utilities, salaries of the approved staff and support personnel, and other miscellaneous expenses and (ii) to build a new archive for the fireproof storage of records

5. Social:

The project will have extensive social benefits. Not only will the project provide assistance for the restoration of monuments that play a key role in Azerbaijan's cultural heritage, restoration of these monuments provide direct benefits to those involved in the form of additional employment (from the restoration activities, tourism, the manufacture and sale of handicraft items, etc.) and the opportunity to update the skills of restorers and craftsmen involved in the project. The support the project receives from senior government officials is an indication of the importance the Government attaches to the revitalization of Azerbaijan's cultural heritage. Two of the monuments included under the project - the Shirvanshah Palace and the Momine Khatum Mausoleum - are of such significance to the people that the Government decided to reproduce them on the 10,000 and 50,000 Manat notes, respectively. A further indication of the cultural significance of these monuments is the public support for their restoration that has emerged spontaneously when government agencies lacked the means. An example is the restoration of the Momine Khatum Mausoleum.

During the preparation of the project an effort was made to ascertain whether the proposed restoration efforts would have any adverse social impacts. This assessment included government agencies and interviews with residents living near these sites. It was found that the restoration of the monuments was welcomed by all; that no temporary or permanent relocation of people would be required; and that access to the sites presented no problems (no acquisition of land would be necessary).

6. Environmental assessment: Environmental Category A B C

An assessment was carried out during the preparation of the project to ascertain whether the reconstruction of the selected monuments would create any adverse environmental impacts. This assessment also included the quarry where the stones for the reconstruction of the Shirvanshah Palace will be cut. It was found that no

chemicals will be used in the cleaning of the monuments; and that most of the on-site construction work would involve the use of traditional methods and materials which do not produce any hazardous wastes; a washer to clean the surface of the Divanhane will use a low pressure rotating stream of water and generate non-hazardous dust that can be discharged into the sewers; overall current practices of handling and disposal of construction wastes are adequate; the sites are small and all are separated from the surrounding area by walls.

Potentially adverse environmental concerns stem primarily from the increased traffic to transport raw materials from the quarry and the noise and dust involved in the cutting of the stones at the restoration sites. The only site where traffic material deliveries will be of concern is in the reconstruction of the Shirvanshah Palace, where stones from a quarry that is about 60 kilometers from the site will be delivered throughout the 2.5 year construction period. However, the frequency of deliveries will be low, and will not contribute significantly to air pollution. Noise and dust from the cutting of stones at the site will have a very localized impact. Agreement was reached with the implementing agency to install dust suppression equipment and to conduct this work only during normal working hours. (It was found that there are numerous construction projects under way in Baku's ancient town and that people seem to accept the presence of construction noise during the day as an unavoidable inconvenience.)

As indicated the quarry from where the stones for the reconstruction of the Shirvanshah Palace are obtained is located about 60 km from Baku in a desert-like environment. The quarry which has provided the stones for the palace since the 15th century, is surrounded by numerous other quarries. It was ascertained that no people live in this area, and that the safety measures for the workers, cutting the stones, are adequate.

7. Participatory approach:

a. Primary beneficiaries and other affected groups:

Any cultural heritage project, by its nature, is highly participatory. This project will raise the awareness of cultural heritage in Azerbaijan and allow for increased participation in planning and prioritization of future site restorations. The importance of the chosen sites to the communities around them is evidenced by the communities' ongoing contributions to the restoration of these sites. The project is designed to seek continuous feedback from local communities, non-governmental organizations and other stakeholders throughout the implementation of the project.

b. Other key stakeholders:

<i>Stakeholders</i>	<i>Info Sharing</i>	<i>Consultation</i>	<i>Collaboration</i>
Committee	Yes	Yes	Yes
Local Committee branches	Yes	Yes	Yes
Ministry of Culture	Yes	Yes	Yes
Staff/volunteers at Shirvanshah Palace	Yes	Yes	Yes
Communities around project sites	Yes	Yes	Planned
International Donor Community	Yes	Yes	Planned

F: Sustainability and Risks

1. Sustainability:

The project has been designed to incorporate strategies that will facilitate the sustainability of the Government's efforts to restore and preserve historical sites and cultural heritage in Azerbaijan. The main elements of these strategies are:

- strengthening the capacity of the Committee to implement a comprehensive program for the restoration and preservation of historical and cultural sites;
- updating the skills of restorers and workmen; and
- support in establishing partnerships with private corporations and international donors, which would be interested in providing technical assistance and financial support for the restoration and preservation of monuments in Azerbaijan.

2. *Critical Risks (reflecting assumptions in the fourth column of Annex 1):*

<i>Risk</i>	<i>Risk Rating</i>	<i>Risk Minimization Measure</i>
Government mounts a public relations campaign for Azerbaijan's cultural sites.	M	Inclusion in the PIU of a staff member dedicated to community outreach and partnership
Implementation of the new law for conservation and restoration of historical monuments	M	
Government maintains the current level of funding to the sector.	N	
The monuments are located in a well-know earthquake zone.	M	In the restoration of the selected monuments, technologies will be used that make structures more resilient to earthquakes.
Overall Risk Rating		M
Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)		

3. *Possible Controversial Aspects:*

none.

G: Main Loan Conditions

1. *Effectiveness Conditions*

- The Government has hired independent auditors under terms of reference acceptable to the Association.
- The Government has opened a project account at a Bank in Azerbaijan acceptable to the Association to cover the operating costs of the Committee for the Conservation of Cultural and Historical Heritage for all their activities under this project and made an initial deposit of US\$25,000.
- A Project Implementation Unit has been established within the Committee and appointed all staff critical for the implementation of this project, including but not limited to a project coordinator, a qualified chief accountant, a procurement officer, an outreach officer and a monitoring and evaluation specialist and the project coordinators in the regional offices of the Committee in Baku, Sheki and Nakhchivan.
- The PIU for the project has established a project financial management system under the direction of the qualified Chief Accountant; the system encompasses a reliable accounting system with documented procedures, timely reporting and good internal controls.

2. Other conditions

- The Government will appoint, by September 30, 1999, a Project Oversight Commission at the Cabinet of Ministers with broad representation of concerned Government agencies and non-governmental representatives, which would facilitate coordination, provide policy guidance, and oversee the implementation of the project.
- The Government shall undertake all measures required to ensure the supply of the stone material for the restoration of the Shirvanshah Palace supported by the project.
- The Committee for the Conservation of Cultural and Historical Heritage will appoint, by September 30, 1999, an expatriate technical advisor.
- The Committee for the Conservation of Cultural and Historical Heritage will carry out, by March 31, 2001, an assessment of the economic and financial benefits of the project.

H. Readiness for Implementation

- The engineering design documents for the first year's activities are complete and ready for the start of project implementation. Not applicable.
- The procurement documents for the first year's activities are complete and ready for the start of project implementation.
- The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- The following items are lacking and are discussed under loan conditions (Section G):

I. Compliance with Bank Policies

- This project complies with all applicable Bank policies.
- The following exceptions to Bank policies are recommended for approval: . The project complies with all other applicable Bank policies.]



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Annex 1
Project Design Summary
Azerbaijan: Cultural Heritage Support Project

Narrative Summary	Key Performance Indicators	Monitoring and Evaluation	Critical Assumptions
Sector-related CAS Goal: Although support for this sector is not explicitly contained in the CAS, the project contributes to economic growth and poverty alleviation.	<ol style="list-style-type: none"> 1. GNP per capita rises 2. Percentage of total population below the poverty line falls 	<ol style="list-style-type: none"> 1. World Bank International Economics Department Reports and World Bank Country Department 2. World Bank International Economics Department Reports and World Bank Country Department 	(Goal to Bank Mission) *Establishment of a more effective system of social protection *Enhancement of competition in key economic sectors. *Peace Agreement for Nagorno-Karabakh has been signed *Establishment of a policy and institutional framework conducive to efficient and equitable private sector led sustainable growth. *Establishment of a more rational system of delivering basic social services.
Project Development Objective:			(Objective to Goal)
Enhance the awareness of Azerbaijan's culture and through that strengthen the national identity and social cohesion. This, in turn, should contribute to stability and a favorable investment climate.	<ol style="list-style-type: none"> 1. Increase in the number of visitors to cultural sites. 2. Increase in the number of volunteers and non-governmental groups involved in the conservation and restoration of historical and cultural sites. 3. Increase in the number of new site restorations. 4. Increase in the funding from public and private sources for the conservation and restoration of historical and cultural sites. 	Quarterly Project Reports by CRPM and reports of the Ministry of Culture	*Government support for the development of private enterprise. *Increased support for cultural heritage from the private sector and international donor community.

Outputs:			(Outputs to Objective)
<p>1. Enhance Azerbaijan's capacity to conserve and restore its historical monuments;</p> <p>2. Conservation and partial reconstruction of four historical monuments of global cultural importance (Shirvanshah Palace, Sheki Khan Palace, and the Karabaglar and Momine Khatum Mausoleums).</p>	<p>1. Increase in the number of skilled craftsmen and restoration experts (in line with international standards).</p>	<p>Outputs will be monitored and evaluated through regular progress reports from CRPM and supervision missions.</p>	<p>*Government mounts a public relations campaign for cultural sites.</p> <p>*Successful implementation of the new law for conservation and restoration of historical monuments</p> <p>*Government maintains the current level of funding to the sector.</p>
Project Components/ Sub-components:	Inputs: (budget for each component)		(Components to Outputs)
<p>Shirvanshah Palace: Concept paper including detailed plan for palace residence; reconstruction of residence; conservation of Divanhane and stone cleansing device</p> <p>Sheki Palace of Khans: Concept paper for restoration; static restoration & climate control; woodwork, glass and paintings restoration; woodworking tools</p> <p>Karabaglar: Study of stability/ preparation of project concept; Bracing and rainproofing; Conservation/restoration of mausoleum and site</p> <p>Momine-Khatum Mausoleum: Study of movement of mausoleum; Conservation work</p> <p>Institution Building: Study tour of Europe; training young restorers; archive computerization, equipment and inventory; institute equipment; local procurement consultant; tech consultancy support</p> <p>Incremental Operating Costs of PIU</p>	<p>3.09</p> <p>3.11</p> <p>0.86</p> <p>0.28</p> <p>1.26</p> <p>0.3</p>	<p>All inputs will be monitored and evaluated through regular progress and disbursement reports.</p>	<p>*Continued support of the Committee and Ministry of Culture</p> <p>*Smooth implementation of Bank's procurement procedures</p> <p>*Support and participation of local communities and NGOs.</p>

Annex 2 Cultural Heritage Support Project Project Description

Project Design

The project has been designed to support the Government's efforts to raise the awareness of Azerbaijan's cultural identity and through that strengthen the national identity of the country's population. This, in turn, will contribute to political stability and, hopefully, to a favorable investment climate. After the collapse of the Soviet Union, the people in Azerbaijan have become again interested in their rich cultural heritage. The Government has fostered this interest through support, for example, for the restoration of monuments, the revival of traditional customs, the use of Azeri in official documents, school books and newspapers and similar measures.

The proposed project has two primary objectives: (a) to enhance Azerbaijan's capacity to conserve and restore its historical cultural monuments, and (b) to restore or conserve a selected number of cultural monuments which play an important role in Azerbaijan's history and which are in imminent danger. The Government has proposed four sites for conservation and, where appropriate, for restoration: (a) the Shirvanshah Palace, (b) the Sheki Khan Palace, (c) the Karabaglar and the (d) Momine Khatum mausoleums. All of the sites

- have been ranked as being of international value under a project funded by UNESCO;
- are significant landmarks, within a national sense, but also within the context of their surroundings, either as part of ancient cityscapes or pastoral villages; and
- people identify with the sites, culturally and personally.

Documentation and restoration planning in Azerbaijan was state-of-the-art until the 1960s. However, since then, lack of funds greatly restrained work in documentation, studies, on-site analyses, and the development of restoration strategies. The current approach to the preservation of cultural heritage emphasizes *reconstruction*, that is -extensive rebuilding of the monuments as close as possible to the original, rather than *restoration* and *conservation* with emphasis on the preservation of existing structures. Both restoration and conservation are necessary¹. Visits to "restored" sites during project preparation showed that extensive *reconstruction* had taken place. Mechanical methods of reconstruction were being used because of a lack knowledge of or access to other methods which are current state of the practice (which rely little on mechanical methods). No conservation efforts are being taken to prevent further damage to existing parts of the monuments (e.g., preventing further breakage). The international state-of-the-art practice is to protect rather than to replace. Thus, one of the main objectives of this project is to transfer knowledge of state-of-the-art practices to those involved in the preservation and restoration of monuments in Azerbaijan, starting from administrators and planners to craftsmen.

Key issues

As mentioned above, the quality of conservation and restoration work declined over the past three decades, in particular since the break-up of the former Soviet Union. As a result the sector faces several serious issues:

- *Restoration is carried out without a well-defined concept for the ultimate use of the monuments.* For example, the agencies involved in the restoration of the Shirvanshah Palace plan to convert it eventually into a museum. However, the restoration of this palace has been started without giving

¹ *Conservation* - activities undertaken to maintain and sustain what is currently visible. Must be done before restoration. *Restoration* - repair of broken pieces and parts of the structure with minimal-to-no use of modern pieces for replacement.

any thought to lighting, climate control, utilities, rest rooms, etc. Installation of these facilities after completion of the restoration will destroy or damage some of the restored areas and, as such, raise overall costs.

- *Skilled craftsmanship is good, but there is a lack of knowledge of proper conservation techniques.* Most of the options being implemented are reconstruction, creation of imitations, etc., rather than the conservation and preservation of existing materials. There is a lack of knowledge of how to work with historical materials.
- *There is a lack of specialized equipment and materials for conservation and restoration, as well as for archiving of documents.* The lack of funds has severely restricted the Government's ability to perform the work necessary to protect and manage cultural monuments. The project includes therefore the purchase of specialized equipment and training. , For example, the acquisition of special equipment for cleaning of the stone surfaces will make it possible to replace the current practice of using chemicals, which damage the material; and, the acquisition of computers and software for developing an inventory and tracking system that will allow better control and access to key documents.

The project consist of two major components:

- support for the conservation and partial restoration of four priority sites (the Shirvanshah Palace in Baku, the Khan Palace in Sheki, the Mausoleum in Karabaglar, and the Momine Khatum Mausoleum in Nakhchivan); and
- strengthening of the capacity of the agencies involved in the preservation and restoration of historical monuments.

Shirvanshah Palace - US\$3.09 million

The Shirvanshah Palace is a 15th century monument located on the highest point in "Icheri Sheher", Baku's ancient walled city. The palace is an ensemble of several buildings enclosed by a wall, consisting of the palace residence, Divanhane (a pavilion for public meetings), family tomb, palace mosque, the mausoleum of Bakuvi (a noted scientist of the time), and the palace bath-house. There are open courtyards and connecting passageways among the buildings, which are all constructed of stone. The Shirvanshah Palace is an essential component of the old town, which itself is a historical site of international importance, and the top priority site on Azerbaijan's list of monuments proposed for the World Heritage List.

The Shirvanshah State existed from the sixth to the sixteenth century. When the original capital city (in the north) was destroyed by an earthquake, a new capital was built at what is now Baku. The palace itself was constructed in the fifteenth century. In 1501, Shah Ismail Khatai conquered Baku. His aim was to unite the northern and southern regions of Azerbaijan and Baku's central location made it easier to control both regions. Later in this century, the Turks captured Baku after having defeated the Shirvanshah State. Their reign lasted only several years. Peter the Great captured the city in 1723, and the Russian military occupied the palace until Soviet occupation in the 1920s. Since 1964, the palace has been used as a museum of Azerbaijan's history. It is the most important monument of Baku, and of all of Azerbaijan. Its importance as a symbol of the national identity of Azerbaijan is exemplified by the fact that it is illustrated on the back of the 10,000 Manat note. Government representatives emphasized that the selection of this site for restoration has the highest priority.

Priorities for conservation and restoration activities. During site visits and discussions with technical staff responsible for restoration of the Shirvanshah Palace, the restoration objectives for the ensemble were identified and prioritized. It was agreed that the work of highest priority was completion of the second floor

of the palace residence and structural strengthening and restoration work on the Divanhane. The work on the other components, although important, was not as urgent, in that the buildings were structurally stable and the risk of significant deterioration in the medium term is relatively small.

Second floor of the Shirvanshah Palace. Only parts of the original structure of the second floor of the Shirvanshah Palace remain intact. Soviet authorities carried out extensive investigations in the 1950s of the existing structures, and prepared detailed drawings of the walls in each room. As a result of these efforts, Azerbaijan has now an extensive collection of artifacts, drawings, descriptions, photographs, etc. of the palace ensemble. Based on the investigative work done in the 1950s, the AZERBERPA Institute prepared a design for the reconstruction of the second of the second floor of the palace residence. The work was started in the early 1990s. Its progress has been slow due to the lack of funds. As of mid-1998, only about 15% of the planned work had been completed, primarily the construction of walls and part of the roof. All of the work is being done by skilled craftsmen using traditional stone cutting and carving methods. The stone is a soft carbonate rock which is being quarried from the same site from which the original stone for the palace was obtained. Craftsmen use traditional tools to create replicas of the original stone lattices over the windows and ornate trim work. Whereas restoration actions to be undertaken at the other monuments have focused on conservation and preservation, as defined above, work on the second floor of the Shirvanshah Palace residence involves extensive reconstruction. Because of the importance of this monument to the national identity of the people and the country, and its location in the capital, it is a special case where reconstruction of the buildings, as authentically as possible, is appropriate. Although the design for the reconstruction has been completed, the existing restoration strategy does not take into account the ultimate use of the monument. The current plan is to use the ensemble as a museum for the display of Azerbaijani cultural artifacts. However, there are no plans for the infrastructure needed to operate the museum, such as the installation of lighting, utilities and climate control systems. Pre-planning for such systems during construction is critical; alternatives installed later will significantly degrade the quality of the monument and increase substantially the overall cost of reconstruction.

Divanhane. Most of the original components of the Divanhane remain intact, but there are cracks in some of the pillars, indicating structural weaknesses. The flat part of the roof has developed leaks, which allow rainwater to seep into the structure causing significant water damage and corrosion. The stones are stained with salt deposits and otherwise dirty. Little work has been conducted here, since the highest priority of the Government has been the restoration of the palace residence.

Priorities for conservation and restoration. Within the ensemble, the priorities for restoration are:

- the completion of the reconstruction of the second floor of the residential palace; and
- the reconstruction of the Divanhane, which would involve static engineering analysis, repair of the roof, cleanup of the water damage and corrosion of the stone, general cleanup and conservation. (Since this part of the palace is largely original, its restoration provides an opportunity to train staff associated with this work, - from designers and planners to stone masons, under the expert guidance of an expatriate restorer and stone mason.

Work program. More specifically, the restoration of these two sub-components will involve the following activities:

- Preparation of a concept and plan for the restoration as well as the ultimate use of the entire ensemble (including the infrastructure for the museum), and a more detailed project implementation plan for reconstruction of the second floor of the residential palace;
- For the Divanhane, carrying out of static investigations, documentation of existing damages; development of the restoration concept and a detailed plan for structural strengthening as needed, waterproofing of the roof, cleanup of the water damage, and cleaning of the stone surfaces; and implementation of the approved restoration plan; and

- the purchase of materials and equipment for cleaning of the stone surfaces.

Sheki Khan Palace of Khans - US\$3.11 million

The Sheki Khan Palace of Khans is located in Sheki, the most ancient city in Azerbaijan. The city has been in existence for more than 2700 years, and was for many years an important manufacturing and trading center on the silk road. The ancient part of the city is a historic preservation region, and it is one of the seven sites in Azerbaijan which have been proposed to be included in the World Heritage List. The Palace of Khans dominates the ancient city. It is a major attraction for tourists and a source of national pride. It was built in 1861-71 for the Shah to receive guests and for special occasions. One of the most unique features of the palace is the large number of stained glass windows, which were put together without the use of glue or nails, a construction technique known as the shabaka method. (The glass for these windows was originally imported from Venice.) The windows consist of 3,000-7,000 separate parts per square meter. Inside, the walls and ceilings in many of the rooms are covered with detailed paintings of cultural and historic importance. The Palace is surrounded by a rock wall enclosing a landscaped garden.

Priorities for conservation and restoration. Sheki is located in an area with a high risk of earth quakes. To protect the Sheki Palace against damages from earth quakes, from damage during earthquakes a concrete brace was placed on top of the structure under the roof in 1964. It was a relatively inexpensive solution that would hold together the sides of the building. Over the years the weight of the concrete brace warped the structural wooden beams and the windows, and caused cracks in the ceilings. Although the building is not in immediate danger of collapse, it is imperative that the concrete be removed to prevent further damage to its structural support. In addition to the damage caused by this concrete brace, there is some damage to the wooden beams and columns. Removal of the concrete and repair of the beams and columns, regardless of the methods employed, will cause most likely some damage to the building, thus a well-designed plan for the removal of the concrete brace is a top priority. The building must be made structurally sound before any other restoration work is conducted.

The second most serious problem in the Palace is the extensive blistering and peeling of the painting on the walls and ceilings, obviously from humidity in the air and moisture in the walls, although there are no measurements of either. Without such data, it is not possible to implement effective humidity control systems. Furthermore, there are several layers of paintings over the original painting, as a result of earlier restoration efforts. There is little documentation of the number of paint layers in different areas and the materials used, nor does a plan exist for the restoration of these paintings. A third priority concern is the conservation of the wood components, primarily the wooden windows. While only few of the wood components are damaged currently, their condition is bound to deteriorate without proper maintenance.

Work program. More specifically, the restoration of these priority items will involve the following activities:

- A static engineering assessment of the palace, which would examine the stability of the building and focus on the impact of the removal of the concrete brace will have on the structural soundness of the building (and, of course, the technical options for removing the concrete brace). It would also include an assessment of the risk of damage during earthquakes and provide recommendations for an alternative to the concrete brace;
- Monitoring of humidity in the rooms and moisture in the walls for at least one year;
- Detailed study of the paintings to determine the number of layers, types of materials used, etc. so that the binding to each layer is known, and restoration options can be identified;
- Development of a restoration concept for the palace as a whole, including removal of the concrete brace, restoration of the building, windows, paintings, etc. and preparation of the grounds;

- Removal of the concrete brace, with minimum damage to the existing interior and exterior surfaces, installation of a replacement brace, humidity and moisture control systems and restoration of damaged woodwork;
- Restoration of woodworking and interior wall paintings; and
- Purchase of wood-working tools to support on-going wood restoration at the palace.

Karabaglar Mausoleum and Twin Minarets - US\$0.86 million

This site is located in the village of Karabaglar, about 40 kilometers north of Nakhchivan city, in the autonomous region of Nakhchivan. The site contains two monuments, a mausoleum and twin minarets, in a very pastoral setting in the village. Both structures are outstanding examples of the monument styles of the famed 12th century architect Ajemi Nakhchevani, born in 1120, who founded the Nakhchivan School of Architecture. The works of this architect and his school were innovative, characterized by brickwork of various shapes and the use of turquoise, glazed bricks in intricate designs. The School influenced the architecture of the region for centuries. The twin minarets were built in the 12th century, and included a portal between them, a style first developed by Ajemi. The mausoleum was built in 1333-35, and contained cornices with scripts from the Koran in stylized Arabic writing using glazed turquoise bricks and tiles around the top of the monument and over each of the four portals. There are several reasons for the significance of this site and thus to include its restoration under this project:

- It is an excellent example of the Ajemi style of design;
- It is located in an outlying village and thus has not received the same level of protection as other monuments; however, its pastoral setting also increases its cultural value because it retains its original character;
- the twin minarets are in danger of collapse in the event of an earthquake; and
- the remaining scripts on the cornices will be completely lost without preservation.

Priorities for conservation and restoration. The twin minarets have large cracks (reportedly from earthquakes) which need structural stabilization. In the early 1990s, a building enclosing the minarets and portal was constructed, to provide some support to the *base* of the minarets. However, no work has been done to stabilize the towers. The cornices of the mausoleum are largely destroyed, although it is reported that in 1957 about 60 percent of the writing of the top cornice still existed. Much of the surface brickwork of the mausoleum has been repaired, with about 30 percent of the bricks and tile replaced. The cupola was re-built, but there are still problems with water damage. Starting in 1922, several studies of these monuments were carried out but there are no current, detailed designs for their restoration, and no master plan exists for the overall management of the site.

Work program. More specifically, the restoration of the two sub-components, the mausoleum and the twin minarets, will involve the following activities:

- The design and implementation of a plan for re-enforcement and structural stabilization of the twin minarets. It is necessary to re-enforce the minarets (e.g., install iron braces), to prevent toppling in the event of another earthquake. The openings at the top of each tower need to be closed and the tops capped, to prevent further water damage. Investigations of the foundation of the minarets are needed, to determine if additional structural stabilization is required, and the work completed;
- For the mausoleum, repair of the cupola to prevent water damage, re-construction of the known script of the top cornice, and preservation of the existing materials. The script on the top cornice will be restored to the extent known (about 60 percent), based on the 1957 documentation. The remaining scripts and materials will be protected from further deterioration; and
- Preparation and landscaping of the site grounds, construction of kiosks, and preparation of public information brochures, etc.

Momine Khatum Mausoleum - US\$0.28 million

This mausoleum was designed by the famed architect Ajemi and built 1186, thus, as an original Ajemi structure, it is of particular architectural importance. It was built for Momine-Khatum, the wife of the Shah. It is located in the center of the city of Nakhchivan and has been restored as a national monument and is the symbol of the people and historical culture of the region. (A picture of the monument is on the back of 50,000 Manat bank notes.) Based on photographs and illustrations from the early 19th century it can be seen that the site originally included twin minarets and the largest mosque in the Near East., But these structures have been completely destroyed. The site now consists of the mausoleum, an outside museum of stone carvings of animals, and a small museum inside the mausoleum. The importance of this monument to the people is demonstrated by the fact that the inside and outside museums were created and are maintained by volunteers without any support from the Government. . There is a high level of support for the preservation of this monument at all levels of Government in Azerbaijan.

Priorities for conservation and restoration. The mausoleum is leaning, by about 11 degrees; the tilt of the structure can be readily observed. Only rough measurements of the movement inside the building have been made up to now, but these are inadequate to determine if the structure continues to lean. Although the building does not seem to be in imminent danger of collapse, it is important to obtain precise measurements of the rate of tilt in order to determine whether the building continues to move and further conservation measures are required. In addition, the cupola of the monument leaks and needs to be repaired, vegetation growing on the roof needs to be removed, and the cupola needs to be cleaned. cleaning. The last substantial work on the monument was conducted by the in 1982.

Work program. More specifically, the restoration of this monument will involve the following activities:

- Monitoring of the rate of leaning over a period of three years (within a minimum detectable change of 0.1 millimeter); and
- Cleaning and waterproofing of the roof, including small repairs as needed.

Technical Assistance and Auditor - US\$1.26 million

The most important issue the proposed project addresses is to raise the skill levels of key staff in the agencies involved in the preservation of Azerbaijan's cultural heritage. The following efforts will be undertaken to achieve this objective:

- Study tours will be organized for senior staff involved in the conservation and restoration of historical monuments during which they would visit leading institutions and agencies responsible for preservation of cultural monuments in Europe and other possibly other regions. The objective is to familiarize these staff with the current state of the practice by seeing how similar organizations are actually managing the conservation and restoration of cultural monuments. The project would support three people for a trip of about 2-3 weeks to visit organizations in three countries;
- Training of technical and scientific specialists in preservation and conservation techniques which are taught at special schools, such as ICCROM in Rome, Livan near Brussels, and University of Thoran in Poland. The project will provide support up to three people to attend the schools for periods of 6-12 months;
- Training of craftsmen in preservation and conservation methods by bringing in experienced masonry/stone restoration craftsmen to work side-by-side with local craftsmen during implementation of the Divanhane restoration project. This work would include acquisition and training in use of needed specialized equipment, such as for cleaning of the building exteriors. The costs for this training is included in the restoration work for the Divanhane sub-component;

- Technical assistance during the phases of project planning, preparation of bid documents, implementation, and documentation for each of the four restoration projects to be funded;
- Acquisition of equipment and hiring of contract staff to develop a computerized inventory of important documents. This work will include materials and climate control systems for an archive room;
- As part of this project, the Government would provide additional funding to intensify the ongoing public awareness program. This program will involve the media and non-governmental organizations. Activities may include seminars for journalists, a Cultural Heritage newsletter and expansion of the existing Web Sites.
- The cost of the project audits are also included in this component

Incremental Operating Costs – US\$0.3 million

A portion of the operating costs of the Project Implementation Unit will be financed from the Project funds. This will allow for recruitment of high quality staff.

Annex 3
Cultural Heritage Support Project
Estimated Project Cost

<i>Project Component</i>	<i>Local</i>	<i>Foreign</i>	<i>Total</i>
	-----US \$ million-----		
Shirvanshah Palace			
Concept paper for ensemble, detailed plan for palace residence (2nd floor)		0.05	0.05
Reconstruction of palace residence (2nd floor)	0.91	1.07	1.98
Conservation of Divanhane	0.21	0.21	0.42
Low pressure cleansing device		0.13	0.13
Sheki Palace of Khans			
Concept paper (study of statics, humidity, paintings)		0.13	0.13
Static restoration and climate control	0.47	0.46	0.93
Restoration of woodwork and glass	0.26	0.25	0.51
Woodworking tools		0.04	0.04
Restoration of wall paintings	0.51	0.50	1.01
Karabaglar			
Study of minarets' stability/preparation of project concept		0.05	0.05
Bracing and rainproofing minarets	0.21		0.21
Conservation/restoration of mausoleum and site	0.23	0.23	0.46
Momine-Khatum Mausoleum			
Study of movement of mausoleum		0.05	0.05
Conservation work (cleaning, restoring of cupola, waterproofing)	0.19		0.19
Institution Building			
Study tour of Europe	0.09		0.09
Training of young restorers	0.14		0.14
Equipment for archives		0.11	0.11
Inventory and computerization of archives	0.05		0.05
Equipment for Institute		0.15	0.15
Auditor		0.14	0.14
Local procurement consultant	0.06		0.06
Technical consultancy support		0.30	0.30
Operating Costs	0.30		0.30
Total Baseline Cost	3.63	3.87	7.50
Physical Contingencies	0.36	0.39	0.75
Price Contingencies	0.31	0.34	0.65
Total Project Cost	4.30	4.60	8.90

Annex 5
Cultural Heritage Support Project
Procurement and Disbursement Arrangements

Procurement

Summary of Procurement Procedure

The proposed procurement arrangements are summarized in Table A. Procurement of works, goods and services of the IDA financed components would be procured in accordance with the Bank/IDA procurement guidelines. A procurement plan detailing the packaging and estimated schedule of the major procurement actions is presented in Table B. All other procurement information, including capability of the implementing agency, estimated dates for publication of GPN and the Bank's review process is presented in Table C.

PROCUREMENT CAPACITY. The Committee for the Conservation of Cultural and Historical Heritage (the Committee), assisted by experienced local advisors (and expatriate individual consultants hired through firms as needed), is expected to be able to carry out all procurement activities timely and efficiently through a Project Implementation Unit (PIU) to be set up at the Committee's premises. The Bank will also provide as much procurement training as possible for the Committee staff involved in implementation of the project.

Procurement of Goods and Works

Goods and works will be procured in accordance with the provisions of the *Guidelines for Procurement under IBRD Loans and IDA Credits*. The appropriate Standard Bidding Documents issued by the Bank will be used. For procurement under ICB for works, domestic contractors will be given a margin of preference in accordance with the Procurement Guidelines. No goods will be procured by ICB, so domestic preference for goods will not be applicable.

PARTICIPATION OF GOVERNMENT OWNED ENTERPRISES (GOES) IN PROCUREMENT OF GOODS AND WORKS. GOEs willing to participate in procurement of works, goods and services financed by IDA in this project should meet the Bank/IDA's eligibility criteria: they should be financially and legally autonomous and operate under commercial law in Azerbaijan (ref. para 1.8e of the Bank's Procurement Guidelines). Interested GOEs should properly clarify their status to the satisfaction of the Association before participating in any bid under this project.

PROCUREMENT OF CIVIL WORKS (US\$6.81 MILLION). Civil works will conserve, restore or reconstruct portions of four cultural monuments of national and international importance in Baku, Sheki and Nakhchivan. The following methods of procurement would be used:

- **INTERNATIONAL COMPETITIVE BIDDING (ICB).** Except as otherwise agreed with the Bank, ICB procedures will be used for works contract estimated to cost above US\$400,000. Approximately US\$6.34 million will be procured under this method. Prequalification will be adopted in the three contracts as identified in the Procurement Plan.
- **NATIONAL COMPETITIVE BIDDING (NCB).** NCB procedures will be applied for works contracts estimated to cost below US\$400,000. Approximately US\$470,000 will be procured under this method. Bid invitations based on the simplified bidding documents developed in the ECA Region will provide a detailed description of the works, including technical specifications, the required completion date, a basic form of agreement and relevant designs and drawings where applicable. Interested foreign contractors shall be permitted to bid. Award will be made to the lowest evaluated responsive bidder.

PROCUREMENT OF GOODS (US\$0.51 MILLION). There are only four packages for procurement of goods. These packages include tools for woodworking, drafting equipment, archive equipment and a low pressure cleansing device. The following method of procurement will be used:

- **INTERNATIONAL SHOPPING (IS).** Contracts for supplies readily available off-the shelf or commodities of standard specification estimated to cost less than US\$200,000 up to an aggregate not to exceed US\$510,000 may be procured under IS procedures by obtaining competitive price quotations in sealed envelopes from at least three suppliers in two different countries.

PROCUREMENT OF SERVICES (US\$1.28 MILLION). Contracts for consultants' services will be awarded in accordance with the provisions of the *Guidelines for the Selection and Employment of Consultants by World Bank Borrowers*. The services financed under the credit are for investigation and study of physical stability of monuments, preparation of project concepts and project reports, engineering, design, bidding document preparation, project implementation and works supervision, technical assistance, hands on training, study tours and education abroad, etc. Selection of consultants and institutions and their contracts will be based on the Standard Request for Proposal issued by the Bank with minimal necessary modifications as agreed by the Bank. Non-governmental organizations (NGOs) can compete in the selection process, provided that they have expressed their interest in doing so, and that their qualifications are satisfactory to both the Government and the Bank.

- **SELECTION OF FIRMS:** Since the jobs for restoration, reconstruction and conservation of historical and cultural monuments are highly specialized in nature, Quality Based Selection (QBS) will be used for selection of firms and institutions, except for the auditor of project accounts (US\$170,000), where Quality and Cost Based Selection (QCBS) will be used.
- **SELECTION OF INDIVIDUALS:** Individual consultants for procurement and inventory of the archives will be selected on the basis of their qualifications for the assignment by comparing at least three CVs from potential candidates.

Procurement methods (Table A)

Review by the Bank of Procurement Decisions.

GOODS AND WORKS: Because of the specialized nature of the jobs, all goods and work procurement will be subject to Bank's prior review as set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines.

CONSULTANTS: Similarly, all Terms of Reference regardless of assignment value; letters of invitation and award of contracts to consultant firms, institutions and individuals will be subject to Bank's prior review.

Table A: Summary of Proposed Procurement Arrangements
(in US\$ million equivalent)

<i>Expenditure Category</i>	<i>Procurement Method</i>				<i>Total Cost (inc. contingencies)</i>
	<i>ICB</i>	<i>NCB</i>	<i>Other</i>	<i>NBF</i>	
1. <u>Works</u>					
1.1 Restoration/Conservation of monuments	6.34	0.47			6.81
	(5.04)	(0.38)			(5.42)
2. <u>Goods</u>					
2.1 Equipment and tools			0.51		0.51
			(0.50)		(0.50)
3. <u>Services</u>					
3.1 Studies, investigations, preparation of project concepts and reports, etc.			0.39 ^a		0.39
			(0.39)		(0.39)
3.2 Technical Assistance			0.42 ^a		0.42
			(0.42)		(0.42)
3.3 Training			0.30 ^a		0.30
			(0.30)		(0.30)
3.4 Audits			0.17		0.17
			(0.17)		(0.17)
4. <u>Miscellaneous</u>					
4.1 Incremental Operating Costs			0.3		
			(0.3)		
Total	6.21	0.47	2.22		8.90
Total Bank financed	(4.91)	(0.38)	(2.21)		(7.50)

^aIn accordance with IDA consultant guidelines.
Figures in parentheses indicate Bank financed amounts.

Table B: Procurement Plan

<i>Description</i>	<i>Type</i>	<i>Number of slices/items/sub-packages</i>	<i>Estimated cost inc contingency. (in US\$ '000)</i>	<i>Procurement method</i>	<i>Docs submitted to Bank</i>	<i>Invitation to bid/submit prequal. docs</i>	<i>Contract signing/completion of prequal. shortlist</i>	<i>Contract complete</i>
Shirvanshah Palace								
Preparation of concept for the restoration of palace ensemble and bid documents for reconstruction of the second floor palace residence	CS	1	60	QBS	06/99	07/99	09/99	12/99
Reconstruction of second floor of the palace	CW	1	2,380	Prequal: ICB	11/99 01/00	12/99 03/00	01/00 06/00	06/03
Investigation into physical condition of Divanhane, preparation of cost estimates for conservation, undertaking the job with supply of material, equipment and hands on training to local artisans	CW	1	500	ICB	12/99	02/00	05/00	11/01
Machine for cleaning stone works	G	1	150	IS	06/99	07/99	09/99	01/00
Sheki Khan Palace								
Study of physical stability of the palace, humidity, and damage to the building, paintings, development of concept plan and preparation of bid documents	CS	1	150	QBS	07/99	09/99	11/99	09/00
Removal of the concrete beams, placing alternative bracings for stability, control of humidity affecting the palace and its paintings	CW	1	1,100	Prequal: ICB	09/00 11/00	10/00 01/01	11/00 04/01	12/01
Restoration of woodworks and ornamental windows	CW	1	610	ICB	02/01	04/01	07/01	06/02
Tools for wood works	G	1	50	IS	02/01	04/01	05/01	10/01
Restoration of wall paintings	CW	1	1,200	Prequal: ICB	12/00 02/01	01/01 04/01	02/01 07/01	06/02
Nakhchivan								
Study of structural stability of Karabaglar twin minarets, conservation of mausoleum, preparation of project concept and bid documents	CS	1	60	QBS	09/99	10/99	12/99	06/00
Securing the minarets, steel bracing of the damaged parts, and capping the minaret tops to prevent rain damages	CW	1	250	NCB	07/00	08/00	11/00	11/01

<i>Description</i>	<i>Type</i>	<i>Number of slices/items/sub-packages</i>	<i>Estimated cost inc contingency. (in US\$ '000)</i>	<i>Procurement method</i>	<i>Docs submitted to Bank</i>	<i>Invitation to bid/submit prequal. docs</i>	<i>Contract signing/completion of prequal. shortlist</i>	<i>Contract complete</i>
Conservation of mausoleum, waterproofing the cupola, restoration of Koran calligraphy and cleaning monument site	CW	1	550	ICB	07/00	08/00	11/00	11/01
Study of the foundation and tilt of Momine-Khatum mausoleum and preparation of bid documents for its conservation	CS	1	60	QBS	06/99	08/99	10/99	5/02
Conservation of Momine-Khatum mausoleum cupola and waterproofing	CW	1	220	NCB	12/99	02/00	05/00	02/01
Others								
Augmentation of archive facilities and equipment	G	8	130	IS	07/99	09/99	11/99	03/01
Drafting equipment for the design institute	G	12	180	IS	07/99	09/99	11/99	03/01
Study tour for senior managers	TR	1	120	QBS	06/99	08/99	10/99	12/99
Training of young restorers	TR	1	180	QBS	08/99	10/99	12/00	01/01
Inventory and computerization of archives	CS	1	60	I	02/01	03/01	05/01	11/01
Technical consultancy and support (Two Consultants)	TA	1	350	QBS	05/99	07/99	09/99	06/02
Auditor	CS	1	170	QCBS	05/99	06/99	08/99	06/02
Local procurement consultant	TA	1	70	I	06/99	07/99	09/99	01/02

CW = Civil Works; G = Goods; CS = Consultant Services; TR = Training; TA = Technical Assistance; ICB = International Competitive Bidding;
 NCB = National Competitive Bidding; IS = International Shopping; QBS = Quality Based Selection; QBS = Quality & Cost Based Selection; I = Individual Consultant

Table B1: Thresholds for Procurement Methods and Prior Review

<i>Expenditure Category</i>	<i>Contract Value (Threshold) US \$ thousands</i>	<i>Procurement Method</i>	<i>Contracts for Prior Review/Estimated Value for Prior Review US \$ millions</i>
1. <u>Works</u>	400	ICB	All/6.34
	below 400	NCB	All/0.47
2. <u>Goods</u>	All	IS	All/ 0.51
3. <u>Services</u>	N/A	QBS	All firms/0.98
		3 CVs	All individuals/0.13
Audits		QCBS	All/0.17
Total value of contracts subject to prior review			8.60 (97%)

Notes: ICB - International Competitive Bidding; NCB - National Competitive Bidding; IS - International Shopping; QBS - Quality Based Selection; QCBS = Quality and Cost Based Selection

**Table C
Cultural Heritage Support Project
Procurement Information**

Section 1: Procurement Review						
Element	ICB	NCB	IS	NS	Consultants	Other methods
1. Procurement method thresholds	US\$400,000 works	below US\$400,000 works	All goods	N/A	N/A	
2. Prior Review	All	All	All		All	
3. Ex-post Review	None. All contracts are subject to prior review, due to the specialized nature of the goods, works and services.					
Section 2. Capacity of the Implementing Agency in Procurement and Technical Assistance Requirements						
4. Brief statement	A full-time procurement officer's post is being created in the PIU and will be filled shortly under the Committee's financing arrangements. The position will continue throughout the project life. The selected person will be trained in the Bank's procurement methods. In addition, he or she will be assisted by a suitable consultant during the first year of the project. Various technical consultants appointed at project sites will prepare the technical specifications.					
5. Country Procurement Assessment Report or Country Procurement Strategy Paper status: Not Available	6. Are the bidding documents for the procurement actions of the first year ready by negotiations? No. The preparation of bid documents will start only after the consultants are appointed under the project. The technical consultants will prepare the technical specifications and the procurement consultant will assist in the preparation of bid documents following Bank Guidelines.					
Section 3. Training, Information and Development on Procurement						
7. Estimated date of Project Launch Workshop	8. Estimated date of publication of General Procurement Notice	9. Indicate if contracts are subject to mandatory SPN in Development Business	10. Domestic Preference for Goods	11. Domestic Preference for Works, if applicable		
6/15/99	5/15/99	No.	No.	Yes.		
12. Retroactive financing.	No.		13. Advanced procurement	No.		
14. Explain briefly the Procurement Monitoring System and Information System: The PIUs being equipped with the necessary computers and software to enable it to monitor and record procurement implementation. All procurement requests will be addressed to the procurement staff working in the PIU. Monthly progress reports will be sent to the Bank to update procurement implementation progress.						
Section 4. Procurement Staffing						
15. Indicate name of Procurement Staff as part of the Project Team responsible for the procurement in the project:						
Name: Sadhan Chattopadhyaya/Gultekin Yuksel			Extension: (301) 468-3977/38078			
16. Explain briefly the expected role of the Field Office in Procurement: A member of the WB Baku's Resident Mission staff would interact with the Team Leader and will act as the PIU's primary liaison to review procurement documents for completeness and submit them for transmittal to headquarters through the Bank's pouch service. This staff would also participate in all supervision missions, and alert the Project Team Leader to any procurement-related issues regarding the project.						

Disbursement

Allocation of Credit proceeds (Table D)

The proposed credit would be disbursed over a period of three years and the project would be completed June 30, 2004. The closing date of the IDA credit would be December 31, 2004.

Use of Statements of Expenditures (SOEs)

Disbursements would be made against Statement of Expenditures (SOEs) for training and incremental operating costs. Disbursing against all civil works, goods and consultant services for firms and individuals will be made against full documentation and respective procurement guidelines. SOEs will be certified locally by the PIU. Related documentation in support of SOEs will not be submitted to the Bank, but will be retained by the PIU for at least one year, after receipt by the Bank of the audit report for the year in which the last disbursement is made. This documentation will be made available for review by the auditors and Bank supervision missions. If ineligible expenditures, including those not justified by the evidence furnished, or amounts in excess of agreed disbursement percentages are financed from the Special Account, the Bank will have the right to withhold further deposits to the Special Account. The Bank may exercise this right until the borrower has: (a) refunded the amounts involved, or (b) (if the Bank agrees) submitted evidence of other eligible expenditures that the Bank can use to offset the ineligible amounts.

Special account

To facilitate disbursements against eligible expenditures, the Government would establish, in a commercial bank acceptable to the Association, a Special Account to be operated by the Committee under terms and conditions satisfactory to the Bank. The Bank would, upon request, make an Authorized Allocation of US\$500,000. Initially the allocation would be limited to US\$250,000 until disbursements had reached SDR 3.0 million, at which time the full Authorized Allocation would be claimed. Applications for the replenishment of the Special Account will be submitted monthly or when 20 percent of the initial deposit has been utilized, whichever occurs earlier. The replenishment application would be supported by the necessary documentation, including the bank statement of the Special Account and a reconciliation bank statement of the Special Account against Bank records. The Special Account would be audited annually by independent auditors acceptable to the Bank.

Project Account

The Government will open a project account at a Bank in Azerbaijan acceptable to the Association and make an initial deposit of US\$25,000. This account will help to cover the operating costs of the Committee.

Audits

The financial activities of the project will be subject to audit by an independent firm of auditors. The terms of the audit engagement will include a review of the internal controls in operation and an audit of the Statements of Expenditures and the Special Account. The auditor will also be required to present a management letter identifying any weaknesses in the internal controls for the project and provide recommendations for their improvement. The audited financial statements should be presented to the Bank within six months of the end of the fiscal period to which it relates.

Financial Management System

The financial arrangements for the project are still in the embryonic stage. There is a commitment by the Committee to provide the necessary structure for the implementation of the project, however this structure will not be in place until effectiveness of the proposed credit. This project will be using traditional disbursement procedures for the foreseeable future. That being the case, guidance and assistance will be provided to the Committee through its PIU to establish a reliable financial management

system for the project. An action plan has been finalized to identify the key elements required for the project to be compliant with the Bank's operating procedures. Therefore, the establishment of a sound financial management system is essential for effectiveness.

Accounting and Reporting

The accounting records for the project will be computerized. Technical assistance for the computerization will be covered by the project. The accounting system selected should be capable of generating accurate and timely reports incorporating the use of generally accepted accounting standards and a basic budgeting module. While the project is not expected to adopt PMR-based (Project Management Reports) disbursements, by the end of the first year the PIU should be capable of producing simplified PMRs.

Staffing

In order to meet the above objectives, the project must have the requisite staff to implement the financial management system for the project. The Chief Accountant for the project will be assisted by three bookkeepers each having responsibility for recording and reporting of transactions of their respective locations back to the PIU for consolidation. The salaries for the operational staff of the project will be partially funded by the Committee. The procedures manual for operation of the financial management system for the project will be prepared by the Chief Accountant.

Table D: Allocation of Credit Proceeds

<i>Expenditure Category</i>	<i>Amount (US\$ million)</i>	<i>Financing Percentage</i>
Civil Works	4.86	80%
Equipment and materials	0.45	100% of foreign expenditures, 100% of local expenditures (ex- factory) and 85% of expenditures for other items procured locally
Consultant services, training and audits	1.16	100%
Incremental Operating Costs	0.30	90%
Unallocated	0.73	
Total	7.50	

Annex 6
Cultural Heritage Support Project
Project Processing Budget and Schedule

<i>A. Project Budget (US\$)</i>	<i>Planned</i>	<i>Actual</i>
	US\$50,000	US\$89,000

<i>B. Project Schedule</i>	<i>Planned</i>	<i>Actual</i>
Time taken to prepare the project (months)	6	
First Bank mission (identification)	7/1/98	7/1/98
Appraisal mission departure	3/27/99	3/28/99
Negotiations	3/29/99	3/31/99
Planned Date of Effectiveness	9/01/99	

Prepared by: Committee for the Conservation of Cultural and Historical Heritage

Preparation assistance: Austrian Consultant Trust Fund (US\$48,000)

Bank staff who worked on the project included:

<i>Name</i>	<i>Specialty</i>
Peter K. Pollak	Task Team Leader
Patricia Hackman	Consultant
Sadhan Chattopadhyaya	Implementation
Saida Bagirova	Admin. Officer
Jacqui Michel	Social/Env. Specialist
Gurcharan Singh	Procurement
Andrina Ambrose	Financial Management

Annex 7
Cultural Heritage Support Project
Documents in the Project File

Project Implementation Plan, March 10, 1999

Azerbaijan: Cultural Heritage Project (Final Report), Manfred Wehdorn, September 21, 1999

Financial Management Report, Price Waterhouse Coopers, December 15, 1999

Procurement Capacity Assessment

Financial Management Action Plan

Annex 8
Cultural Heritage Support Project
Statement of Loans and Credits

Status of Bank Group Operations in Azerbaijan
As of 15-Mar-99

Project ID	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference between expected and actual disbursements a/	
				IBRD	IDA	Cancellations	Undisbursed	Orig	Frm Rev'd
Number of Closed Projects: 1									
Active Projects:									
AZ-PE-35770	1999	Azerbaijan Republic	Pilot Reconstruction	0.00	20.00	0.00	20.29	2.02	0.00
AZ-PE-41261	1998	Azerbaijan Republic	SAC	0.00	70.00	0.00	35.88	35.26	0.00
AZ-PE-55155	1998	Azerbaijan Republic	Urgent Env. Invest.	0.00	20.00	0.00	20.29	.33	0.00
AZ-PE-40544	1997	Azerbaijan Republic	Farm Privatization	0.00	14.70	0.00	9.86	4.22	0.00
AZ-PE-8287	1997	Azerbaijan Republic	Gas Rehab	0.00	20.20	0.00	14.05	2.83	0.00
AZ-PE-8283	1996	Azerbaijan Republic	Institution Building	0.00	18.00	0.00	7.89	5.51	0.00
AZ-PE-8282	1995	Azerbaijan Republic	Petroleum TA	0.00	20.80	0.00	13.86	12.08	0.00
AZ-PE-8288	1995	Azerbaijan Republic	Baku Water Supply	0.00	61.00	0.00	27.99	26.55	0.00
Total				0.00	244.70	0.00	150.11	88.80	0.00

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

	Active Projects	Closed Projects	Total
Total Disbursed):	82.90	61.42	144.32
of which has been repaid:	0.00	0.00	0.00
Total now held by IBRD and IDA:	244.70	65.00	309.70
Amount sold:	0.00	0.00	0.00
Of which repaid	0.00	0.00	0.00
Total Undisbursed	150.11	0.00	150.11

**STATEMENT OF IFC's
Committed and Disbursed Portfolio
As of 31-Jan-99
(In US Dollar Millions)**

FY Approval	Company	Committed				Disbursed			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1997/98	Baku Coca Cola	9.63	2.30	0.00	0.00	9.63	2.30	0.00	0.00
1998	Azerb. JV Bank	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00
1998	SEF Azdemiryol	.50	0.00	0.00	0.00	.09	0.00	0.00	0.00
1998	SEF Azerigaz	.40	0.00	0.00	0.00	.40	0.00	0.00	0.00
1998	SEF Rabitabank	.40	0.00	0.00	0.00	.30	0.00	0.00	0.00
1999	Amoco Caspian	32.83	0.00	0.00	12.31	24.62	0.00	0.00	12.31
1999	Early Oil Fin	15.44	0.00	0.00	5.79	11.58	0.00	0.00	5.79
1999	Lukoil	19.30	0.00	0.00	7.24	0.00	0.00	0.00	0.00
1999	Turkish Petrol	13.03	0.00	0.00	4.89	9.77	0.00	0.00	4.89
1999	Unocal Chirag	19.40	0.00	0.00	7.28	14.55	0.00	0.00	7.28
	Total Portfolio:	110.93	3.30	0.00	37.51	70.94	2.30	0.00	30.27
		Approvals Pending Commitment							
		Loan	Equity	Quasi	Partic				
1998	ATOIL	5.25	1.31	0.00	0.00				
1998	SEF ARKOBANK	.80	0.00	0.00	0.00				
	Total Pending Commitment:	6.05	1.31	0.00	0.00				

Annex 9
Cultural Heritage Support Project

Azerbaijan at a glance

9/29/98

POVERTY and SOCIAL	Europe & Central Asia		Low-income	Development diamond*
	Azerbaijan	Asia		
1997				
Population, mid-year (millions)	7.6	476	2,048	Life expectancy
GNP per capita (Atlas method, US\$)	510	2,320	350	
GNP (Atlas method, US\$ billions)	3.9	1,106	722	
Average annual growth, 1991-97				
Population (%)	0.8	0.2	2.1	
Labor force (%)	1.4	0.5	2.3	
Most recent estimate (latest year available, 1991-97)				
Poverty (% of population below national poverty line)	
Urban population (% of total population)	56	67	28	
Life expectancy at birth (years)	70	69	59	
Infant mortality (per 1,000 live births)	19	25	78	
Child malnutrition (% of children under 5)	10	..	61	
Access to safe water (% of population)	..	..	71
Illiteracy (% of population age 15+)	..	..	47
Gross primary enrollment (% of school-age population)	87	92	91	
Male	..	..	100
Female	..	..	81

KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1976	1986	1996	1997	Economic ratios*	
GDP (US\$ billions)	3.4	4.1		
Gross domestic investment/GDP	23.6	26.8		
Exports of goods and services/GDP	20.8	18.9		
Gross domestic savings/GDP	2.8	8.2		
Gross national savings/GDP	3.2	7.8		
Current account balance/GDP	-25.5	-23.7		
Interest payments/GDP	0.4	0.8		
Total debt/GDP	12.8	12.3		
Total debt service/exports	1.3	21.2		
Present value of debt/GDP	9.8	..		
Present value of debt/exports	43.3	..		
	1976-86	1987-97	1996	1997	1998-02	
(average annual growth)						
GDP	1.3	5.8	..	
GNP per capita	0.8	3.9	..	
Exports of goods and services	6.9	29.1	..	

STRUCTURE of the ECONOMY

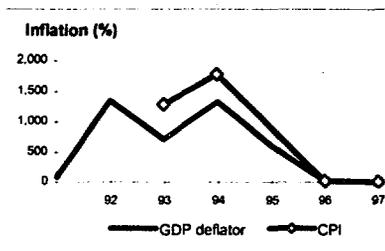
	1976	1986	1996	1997	Growth rates of output and investment (%)	
(% of GDP)						
Agriculture	22.9	21.9		
Industry	19.2	18.4		
Manufacturing		
Services	57.9	59.7		
Private consumption	88.2	84.0		
General government consumption	9.0	7.8		
Imports of goods and services	41.6	37.5		
(average annual growth)						
Agriculture	3.0	-6.0		..
Industry	-0.7	22.0	..	
Manufacturing	-6.7	0.1	..	
Services	1.3	4.0	..	
Private consumption	2.5	2.7	..	
General government consumption	9.0	30.0	..	
Gross domestic investment	70.7	26.9	..	
Imports of goods and services	52.9	20.1	..	
Gross national product	-0.4	3.1	..	

Note: 1997 data are preliminary estimates.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

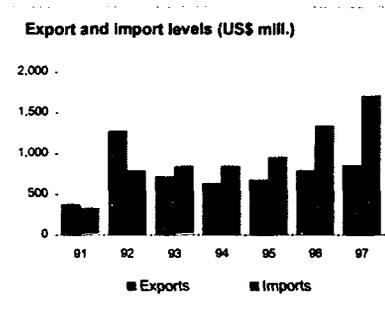
PRICES and GOVERNMENT FINANCE

	1976	1986	1996	1997
Domestic prices				
(% change)				
Consumer prices	20.0	3.3
Implicit GDP deflator	17.2	5.5
Government finance				
(% of GDP, includes current grants)				
Current revenue	17.6	19.7
Current budget balance
Overall surplus/deficit	-2.8	-1.7



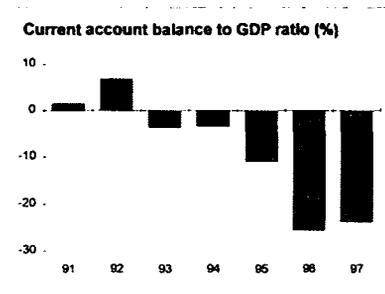
TRADE

	1976	1986	1996	1997
TRADE				
(US\$ millions)				
Total exports (fob)	789	857
Commodity 1
Commodity 2
Manufactures
Total imports (cif)	1,338	1,708
Food
Fuel and energy
Capital goods
Export price index (1995=100)	103	98
Import price index (1995=100)	102	97
Terms of trade (1995=100)	101	101



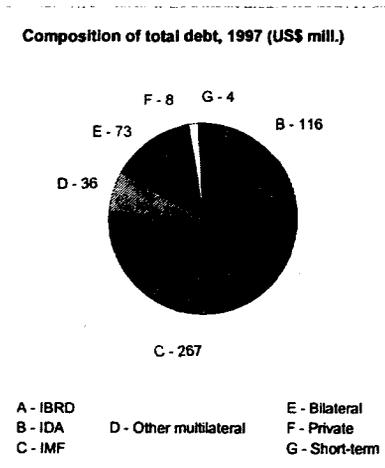
BALANCE of PAYMENTS

	1976	1986	1996	1997
BALANCE of PAYMENTS				
(US\$ millions)				
Exports of goods and services	938	1,154
Imports of goods and services	1,764	1,984
Resource balance	-826	-830
Net income	-52	-52
Net current transfers	67	33
Current account balance	-811	-849
Financing items (net)	835	992
Changes in net reserves	-24	-143
Memo:				
Reserves including gold (US\$ millions)	214	467
Conversion rate (DEC, local/US\$)	4,301.3	4,200.0



EXTERNAL DEBT and RESOURCE FLOWS

	1976	1986	1996	1997
EXTERNAL DEBT and RESOURCE FLOWS				
(US\$ millions)				
Total debt outstanding and disbursed	435	504
IBRD	0	0
IDA	64	116
Total debt service	10	78
IBRD	0	0
IDA	0	0
Composition of net resource flows				
Official grants	53	60
Official creditors	44	26
Private creditors	0	8
Foreign direct investment	601	650
Portfolio equity	0	0
World Bank program				
Commitments	20	85
Disbursements	36	55
Principal repayments	0	0
Net flows	36	55
Interest payments	0	0
Net transfers	35	55



MAP SECTION

AZERBAIJAN CULTURAL HERITAGE PROJECT SITES

-  CULTURAL HERITAGE SITES
-  SELECTED CITIES AND TOWNS
-  NATIONAL CAPITAL
-  RIVERS
-  INTERNATIONAL BOUNDARIES

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APRIL 1999

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