



GRANT NUMBER E1440-TJ

Financing Agreement

(Resilient and Sustainable Tajikistan Development Policy Operation)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION



FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF TAJIKISTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to thirty-nine million Special Drawing Rights (SDR 39,000,000) (“Financing”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Payment Dates are April 15 and October 15 in each year.
- 2.04. The Payment Currency is Dollar.
- 2.05. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule I to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consist of the following, namely that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.
- 5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister of Finance.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

Ministry of Finance
23, F. Niyoz Street
Dushanbe, 734025
Republic of Tajikistan; and

(b) the Recipient's Electronic Address is:

Facsimile:

(992-372) 213329

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Association's Electronic Address is:

Telex:

248423 (MCI)

Facsimile:

1-202-477-6391

E-mail:

osevimli@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF TAJIKISTAN

By



Authorized Representative

Name: Faiziddin Qahhorzoda

Title: Minister of Finance

Date: January 18, 2023

**INTERNATIONAL DEVELOPMENT
ASSOCIATION**

By



Authorized Representative

Name: Ozan Sevimli

Title: Country Manager

Date: January 18, 2023

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions Taken Under the Program

The actions taken by the Recipient under the Program include the following:

Pillar I: Improving the Business Environment, the Integrity of the Financial Sector, and Financial Inclusion

- (1) To improve the business environment and reduce regulatory cost of compliance for businesses, the Recipient has: (i) approved and submitted to Parliament, for its approval, a draft of the new Permit System Law, which unifies the regulatory environment for business-related licenses and other types of permit documents and issuance procedures and sets the legal basis for using an electronic application system, as evidenced by Government Resolution #592 dated December 1, 2022; and (ii) approved and submitted to Parliament, for its approval, a draft Law on introducing amendments and additions to the Law on Inspections of Business Entities' Activity, which reduces the number of government agencies authorized to perform inspection functions, as evidenced by Government Resolution #546 dated November 23, 2022.
- (2) To strengthen the integrity of the financial sector, the Recipient has approved and submitted to Parliament, for its approval, a draft of the new Law on Combating the Legalization (Laundering) of Criminal Proceeds, Terrorism Financing, and Financing of the Proliferation of Weapons of Mass Destruction, which will increase domestic legislative compliance with the international standards recommended by the Financial Action Task Force, as evidenced by Government Resolution #544 dated November 23, 2022.
- (3) To increase financial inclusion, including through the development of digital financial services, the Recipient has: (i) approved a new National Financial Inclusion Strategy for 2022-2026 (NFIS) and an NFIS action plan for improved access and inclusion of the population to financial services, as evidenced by Government Resolution #314 dated July 1, 2022; and (ii) as part of the implementation of the NFIS action plan, approved and submitted to Parliament, for its approval, a new Law on Electronic Document and Electronic Signature, aiming to facilitate the development of digital financial services, as evidenced by Government Resolution #545 dated November 23, 2022.

Pillar II: Strengthening the Efficiency, Transparency, and Accountability of the Public Sector, including State-Owned Enterprises

- (4) To increase public debt transparency and accountability, the Recipient has approved and submitted to Parliament, for its approval, a draft of the new Law on Public and Publicly Guaranteed Debt that modernizes and strengthens the legal

framework for the management of public debt, as evidenced by Government Resolution #292 dated June 24, 2022.

- (5) To improve transparency and governance of the state-owned enterprise (SOE) sector, the Recipient has: (i) approved and published on the website of the Ministry of Finance a new SOE Fiscal Risks Management Program for 2023-2027 and a corresponding action plan, aiming to strengthen the Ministry of Finance capacity for monitoring and assessment of fiscal risks from the SOE sector and improve corporate governance in SOEs that are subject to monitoring by the Ministry of Finance, as evidenced by Government Resolution #547 dated November 23, 2022; (ii) collected and published on the website of the Ministry of Finance externally audited financial statements for 2020 of 17 largest SOEs that are subject to monitoring by the Ministry of Finance, as evidenced by a confirmation letter from the Ministry of Finance to the Association #5/3-4/331 dated April 29, 2022; and (iii) produced and published on the website of the Ministry of Finance an SOE fiscal risk statement for 2021, covering all 27 SOEs that are subject to monitoring by the Ministry of Finance, as required by the SOE Fiscal Risks Management Program for 2023-2027 and as evidenced by a confirmation letter from the Ministry of Finance to the Association #5/5-19/913 dated November 22, 2022.
- (6) To modernize and improve the efficiency of public procurement, the Recipient has approved and submitted to Parliament, for its approval, a draft of the new Law on Public Procurement that covers, inter alia, provisions for the better inclusion of state-owned enterprises, and that encourages measures contributing to sustainable and social development, including for women engaged in entrepreneurship, as evidenced by Government Resolution #591 dated December 1, 2022.

Pillar III: Enhancing Social and Environmental Resilience to Shocks

- (7) To expand social safety net access for poor households, including female-headed and climate-change or natural-disaster affected households, the Recipient has: (i) adopted a new methodology to better identify beneficiaries for targeted social assistance (TSA), as evidenced by the Order of the Ministry of Health and Social Protection #738 dated October 6, 2022; and (ii) established a new approach to determine TSA benefit amounts that are greater in size and are based on a per-child approach, as evidenced by Government Resolution #548 dated November 23, 2022.
- (8) To increase economic resilience to natural disasters, including those caused by the impact of climate change, the Recipient has approved a new Disaster Risk Financing Strategy up to 2037, which defines the country's priorities and actions for a more cost-effective and timely financing of post-disaster needs, as evidenced by Government Resolution #504 dated October 25, 2022.
- (9) To improve cost recovery and equity of electricity tariffs, the Recipient has approved a decree mandating a fifty percent (50%) increase in TALCO's tariff,

which will become effective on January 1, 2023, as evidenced by Government Resolution #593 dated December 1, 2022.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
(1) Single Withdrawal Tranche	39,000,000
TOTAL AMOUNT	39,000,000

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposit of Financing Amounts.

1. Notwithstanding the provisions of Section 2.03 of the General Conditions:
 - (a) the Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain a dedicated account in Dollars ("Foreign Currency Dedicated Account") at the National Bank of Tajikistan on terms and conditions satisfactory to the Association; and
 - (b) all withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Dedicated Account. Upon each deposit of an amount of the Financing into the Foreign Currency Dedicated Account, the Recipient shall deposit an equivalent amount into the Treasury Single Account System.
2. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received

into the Foreign Currency Dedicated Account; (b) the details of the account to which the Tajikistani somoni equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (d) the statement of receipts and disbursement of the Foreign Currency Dedicated Account.

E. Audit. The Recipient shall:

1. have the Foreign Currency Dedicated Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
2. furnish to the Association as soon as available, but in any case not later than six (6) months after the end of the Recipient's fiscal year, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and
3. furnish to the Association such other information concerning the Foreign Currency Dedicated Account and its audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is June 30, 2024.

APPENDIX

Section I. Definitions

1. “Financial Action Task Force” means the inter-governmental body responsible for setting international standards that aim to prevent global money laundering and terrorist financing.
2. “Foreign Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
3. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
4. “Government” means the Government of the Republic of Tajikistan.
5. “Law on Inspections of Business Entities’ Activity” means the Recipient’s law no. 1269 dated December 25, 2015.
6. “Ministry of Finance” means the Recipient’s Ministry of Finance, or any successor thereto acceptable to the Association.
7. “National Bank of Tajikistan” means the Recipient’s central bank.
8. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter #5/5-19/941 dated December 2, 2022 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
9. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
10. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
11. “SOE” means state-owned enterprise.
12. “TALCO” means Tajik Aluminum Company.