

OFFICIAL  
DOCUMENTS

---

---

GRANT NUMBER D954-TJ

# Financing Agreement

(Additional Financing for the Nurek Hydropower Rehabilitation Project, Phase 2)

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 an additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association 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, in the Original Financing Agreement, 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 forty-six million Special Drawing Rights (SDR 46,000,000) (“Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Payment Dates are April 15 and October 15 in each year.
- 2.05. The Payment Currency is Dollar.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement, and the Project Agreement.

### **ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
- 4.02. The Effectiveness Deadline is the date one hundred and eighty (180) days after the Signature Date.
- 4.03. 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 fifteen (15) years after the Signature Date.

### **ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is its Minister of Finance.
- 5.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

Ministry of Finance  
3, Akademikho Rajabovho Street  
Dushanbe, 734025  
Republic of Tajikistan

(b) the Recipient's Electronic Address is:

Facsimile:  
(992-372) 216410

- 5.03. 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

AGREED as of the Signature Date.

**REPUBLIC OF TAJIKISTAN**

By



Authorized Representative

Name: Faiziddin Aqhorzoda

Title: Minister of Finance

Date: May 17, 2022

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By



Authorized Representative

Name: Ozan Sevimli

Title: Country Manager

Date: May 17, 2022

## SCHEDULE 1

### Project Description

The objective of the Project is to rehabilitate and increase the generating capacity of six (6) power generating units of Nurek HPP and improve their efficiency.

The Project consists of the following parts:

Part 1: Rehabilitation of six (6) generating units and related penstocks, and strengthening of Nurek HPP capacity to operate and maintain the power plant.

1.1. Rehabilitation of six (6) generating units

- (a) Rehabilitation of six (6) power generating units, including generators, turbines, main inlet valves, and transformers to ensure sustainable operation of rehabilitated units.
- (b) Rehabilitation of penstocks related to the six (6) power generating units rehabilitated under Part 1.1(a) of the Project.

1.2. Rehabilitation of Nurek Bridge, powerhouse, and other buildings and strengthening of Nurek HPP capacity to operate and maintain the power plant

- (a) Rehabilitation of Nurek Bridge, including replacement and rehabilitation of abutments and piers, repair of reinforced concrete end span, slope protection of embankments, and replacement of concrete deck and superstructure.
- (b) Rehabilitation of the powerhouse and other selected buildings and structures at Nurek HPP.
- (c) Carrying out of maintenance works on the Nurek HPP site, including acquisition of machinery and equipment required therefor.

Part 2: Technical Assistance.

2.1. Carrying out of the following activities:

- (a) Review of designs, bidding process, quality control, and construction supervision, all under the Project.
- (b) Carry out technical, economic, financial, and other engineering studies, as required during Project implementation.

- (c) Support citizen engagement, carrying out of gender-informed consultative processes, and promotion of larger participation of women in the workforce of the Project Implementing Entity.
- (d) Build capacity for the staff of Nurek HPP, the MoEWR, and the Project Implementing Entity in dam safety, operation and management of hydro facilities, and provision of support for Project management, including fiduciary, environmental, and social safeguards of the Project.
- (e) Carry out Project and Project Implementing Entity audits.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

The Recipient shall cause the Project Implementing Entity:

1. To: (a) carry out the Project in accordance with the Project Operational Manual; and (b) not amend, suspend, repeal or waive any of the provisions of the Project Operational Manual without the Association's prior written agreement. In case of any discrepancy between the provisions of the Project Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.
2. To, unless otherwise agreed with the Association, hire and thereafter maintain, during the entire period of Project implementation, an entity (the Project Management Consultant), with experience, competence and terms of reference satisfactory to the Association, to assist with the detailed design of the rehabilitation and dam safety works, the tendering processes, and the supervision of the works.
3. To maintain, during the entire period of Project implementation, the Project Realization Group with functions, terms of reference and resources satisfactory to the Association for the purposes of day-to-day Project management, monitoring and evaluation.

##### B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity pursuant to an agreement (the Subsidiary Agreement) between the Recipient and the Project Implementing Entity and under such other terms and conditions as shall be approved by the Association, including under the financing terms applicable to the Financing, as set forth in Article II of this Agreement.
2. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

**C. Environmental and Social Standards**

1. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Association. To this end, the Recipient shall, and shall cause the Project Implementing Entity to, ensure that:
  - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;
  - (b) sufficient funds are available to cover the costs of implementing the ESCP;
  - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
  - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that:
  - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
  - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities,



the public or workers in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Recipient shall, and shall cause the Project Implementing Entity to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
6. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors, and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

**Section II. Project Monitoring, Reporting and Evaluation**

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

**Section III. Withdrawal of the Proceeds of the Financing**

**A. General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (exclusive of VAT and customs taxes, imposts, levies, fees and duties of any nature, in effect at the time of each Financing withdrawal)</b>
(1) Goods, works, non-consulting services, consulting services, Training, and Incremental Operating Costs under the Project	46,000,000	100%
<b>TOTAL AMOUNT</b>	<b>46,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made: (a) for payments made prior to the Signature Date; or (b) for payments already made or to be made under the Original Financing Agreement.
2. The Closing Date is December 31, 2030.

**Section IV. Other Undertakings**

1. The Recipient shall gradually increase the average electricity tariff during the Project implementation period in a manner consistent with the Electricity Tariff Paper to reach cost recovery tariff level by December 31, 2027.
2. For the purposes of paragraph 1 above:
  - (a) The term “average electricity tariff” means the tariff which is computed as the formally approved tariff for various categories of electricity consumers weighted by their respective share in the total electricity consumption during one-year period.
  - (b) The term “cost recovery tariff level” means a tariff level which generates cash revenue of the Project Implementing Entity adequate to cover the economically justified cash costs of electricity supply, and which at minimum should cover energy and fuel costs, operating and maintenance costs, staff salaries, administrative and general expenses, debt service requirements, and taxes.

- (c) The term “Electricity Tariff Paper” means the Recipient’s official tariff policy document containing the computation of the level of cost-recovery electricity tariffs and the trajectory of planned electricity tariff increases for a given time period, adopted by the Recipient pursuant to the terms of the Original Financing Agreement, in form and substance satisfactory to the Association, and which the Recipient shall not, amend, abrogate, waive or fail to enforce without prior agreement from the Association.
- 3. The Recipient shall cause the Project Implementing Entity to:
  - (a) Except as the Association shall otherwise agree, not incur any long-term debt unless a reasonable forecast of its revenues and expenditures shows that its estimated net revenues for each fiscal year during the term of the debt to be incurred shall be equal to at least the estimated long-term debt service requirements in such year on all debt of the Project Implementing Entity, including the debt to be incurred.
  - (b) Reach ninety five percent (95%) average collection rate for billed electricity sold domestically by December 31, 2026 and not to reduce such rate until the Project Closing Date.
- 4. For the purposes of paragraph 3 above:
  - (a) The term “long-term debt” means any indebtedness of the Project Implementing Entity maturing by its terms more than one (1) year after the date on which it is originally incurred.
  - (b) Debt shall be deemed to be incurred: (i) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
  - (c) The term “net revenues” means the difference between: (i) the sum of revenues from all sources related to operations and net non-operating income; and (ii) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
  - (d) The term “net non-operating income” means the difference between: (i) revenues from all sources other than those related to operations; and (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues referred to in (i) above.

- (e) The term “long-term debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, long-term debt.
- (f) The term “reasonable forecast” means a forecast prepared by the Project Implementing Entity not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Association and the Project Implementing Entity accept as reasonable and as to which the Association has notified the Project Implementing Entity of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Project Implementing Entity.
- (g) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.
- (h) The term “operating cash flows” means the cash flows from operating activities derived from principal revenue-generating activities of the Project Implementing Entity and as reflected in the IFRS compliant annual audited financial statements of the Project Implementing Entity.
- (i) The term “IFRS” means International Financial Reporting Standards in effect.
- (j) The term “short-term debt service” means the aggregate amount of repayments of, and interest and other charges on, short-term debt.
- (k) The term “short-term debt” means any indebtedness of the Project Implementing Entity maturing by its terms in a period of not more than one (1) year after the date on which it is originally incurred.

**Section V. Procurement**

- A. All goods, works and services required for the Project and to be financed out of the proceeds of the Financing, and for which the pertinent contract has been awarded for financing under the Original Financing Agreement, shall continue being subject to the requirements set forth in the Original Financing Agreement, including the definitions in the Appendix to the Original Financing Agreement.

- B. Except as provided in Section A above, all goods, works, and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provision of the Procurement Plan, as such terms are defined in the Appendix to this Agreement and the General Conditions, respectively.

## APPENDIX

### Section I. Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated November 23, 2021, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
4. “Environmental and Social Standards” or “ESSs” means, collectively:
  - (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”;
  - (ii) “Environmental and Social Standard 2: Labor and Working Conditions”;
  - (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”;
  - (iv) “Environmental and Social Standard 4: Community Health and Safety”;
  - (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”;
  - (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”;
  - (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”;
  - (viii) “Environmental and Social Standard 8: Cultural Heritage”;
  - (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and
  - (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
5. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 4, 2018 (revised on August 1, 2020, April 1, 2021 and January 1, 2022).

6. “Incremental Operating Costs” means incremental operating costs incurred by the Project Implementing Entity on account of Project implementation, management, monitoring and coordination, including office equipment maintenance and repair, local travel, communication, translation and interpretation, bank charges, and other miscellaneous costs of similar nature directly associated with the Project, including salaries of contractual staff (but excluding salaries of officials of the Recipient’s civil service) and the associated Social Charges, all based on periodic budgets acceptable to the Association.
7. “MoEWR” means the Recipient’s Ministry of Energy and Water Resources or any successor thereto acceptable to the Association.
8. “Nurek Bridge” means the bridge over the Vakhsh River located within the following coordinates under Universal Transverse Mercator (UTM) geographic system: 528’890 / 4’248’684 zone 42S.
9. “Nurek HPP” means Nurek Hydropower Plant, City of Nurek, Khatlon Region of the Recipient.
10. “Original Financing Agreement” means the Financing Agreement for the Nurek Hydropower Rehabilitation Project, Phase II (D685-TJ) between the Republic of Tajikistan and the International Development Association, dated December 3, 2020.
11. “Original Project” means the Tajikistan Nurek Hydropower Rehabilitation Project, Phase II financed through the Original Financing Agreement.
12. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
13. “Project Implementing Entity”, “OJSHC Barqi Tojik” or “Barqi Tojik” or “BT” means the Recipient’s national energy company Barqi Tojik, an open joint stock holding company established and operating pursuant to the Statute of the Open Joint Stock Holding Company Barqi Tojik approved by the Government of Tajikistan Decree No. 537 dated October 31, 2008, or any successor thereto acceptable to the Association.
14. “Project Management Consultant” means an internationally recognized consulting company employed by the Project Implementing Entity pursuant to paragraph 2 of Section I.A of Schedule 2 to this Agreement.
15. “Project Operational Manual” means the Project Operational Manual referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement, adopted by the

Project Implementing Entity on March 20, 2018, as the same may be amended from time to time with the agreement of the Association.

16. "Project Realization Group" means the group established by the Project Implementing Entity for the purposes of day-to-day Project management, monitoring and evaluation and referred to in paragraph 3 of Section I.A of Schedule 2 to this Agreement.
17. "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.
18. "Social Charges" means any Project Implementing Entity payments or contributions for health benefits, unemployment benefits, disability insurance, workers' compensation benefits, retirement (pension or social security) benefits, and life insurance, or any other benefits according to the Recipient's legislation.
19. "Training" means Project related study tours, training courses, seminars, workshops and other training activities, not included under consulting services' contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs.

**Section II. Modifications to the General Conditions**

1. Section 5.13 (Procurement) is hereby deleted in its entirety.