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**GRANT NUMBER H245-TJ**

# **Financing Agreement**

**(Public Sector Reform Project)**

**between**

**REPUBLIC OF TAJIKISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 27, 2006**

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**GRANT NUMBER H245-TJ**

**FINANCING AGREEMENT**

AGREEMENT dated July 27, 2006, between REPUBLIC OF TAJIKISTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). 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) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Financing 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, on the terms and conditions set forth or referenced in this Agreement, a grant in an amount equivalent to three million five hundred thousand Special Drawing Rights (SDR 3,500,000) (“Grant”) 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 IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are March 1 and September 1 in each year.
- 2.06. The Payment Currency is Dollars.

**ARTICLE III - PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article IV of the General Conditions.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV – EFFECTIVENESS**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE V – REPRESENTATIVE; ADDRESSES**

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

- 5.02. The Recipient's Address is:

Ministry of Finance  
3, Akademic Rajobovkho Street  
Dushanbe, 734025  
Republic of Tajikistan

Facsimile:

(992-372) 213329

- 5.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

1-202-477-6391

AGREED at Dushanbe, Republic of Tajikistan, as of the day and year first above written.

REPUBLIC OF TAJIKISTAN

By /s/ Safarali Najmuddinov

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Aziz Khaidarov

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist the Recipient in the implementation of the PARS, through strengthening policy making and service delivery systems and enhancing transparency of public management in selected core public sector entities.

#### Part 1. Civil Service Management

(a) Strengthening of the legal framework and building of the institutional capacity of the Civil Service Department, selected human resources management units in line ministries, agencies and local authorities of the Recipient for the application of merit principles in civil service recruitment and promotion, through the provision of technical assistance, Training, office equipment and development and provision of software.

(b) Improvement of the civil service training system of the IHQCS of the Recipient.

#### Part 2. Public Administration Reform Strategy

Provision of technical assistance, Training, office equipment and development and provision of software to strengthen the Recipient's institutional capacity to implement the PARS, including:

(a) horizontal functional review of central government executive bodies, excluding the military and law enforcement bodies;

(b) improvement of administrative procedures of the MoLSP to enhance the quality of service delivery in policy areas under the competence of the MoLSP;

(c) strengthening capacity and providing policy advice to the EOP; and

(d) implementation of the medium-term priorities of the PARS through the assistance in the design and implementation of institutional reform plans for Selected Government Structures, consisting in the improvement of: (i) their administrative efficiency and effectiveness; (ii) policy making and policy impact assessment practices at the sectoral level; and (iii) service delivery systems.

#### Part 3. Budget Management

(a) Development of an action plan to modernize the public financial management system, through provision of technical assistance and Training.

(b) Strengthening of budget management in the health sector to improve per capita resource allocation, including the development of wage, staff planning and job classification systems, through the provision of technical assistance and Training.

Part 4. Regulatory Management

(a) Improving regulatory quality and service delivery of Selected Inspection Agencies, through: (i) the review and updating of the legal and regulatory framework; (ii) provision of staff Training; and (iii) publication and dissemination of laws and regulations and outreach activities.

(b) Development of an interactive electronic database of normative acts and capacity building of the MoJ and of the Selected Inspection Agencies, through the provision of technical assistance, Training, office equipment and the development and provision of software.

Part 5. Governance Reforms Management and Project Management

(a) Strengthening the Recipient's capacity for Project implementation, monitoring and evaluation, including audit, procurement, disbursement and financial management activities, through the financing of the Operating Costs.

(b) Enhancement of the Recipient's capacity to effectively manage and monitor the process of governance system reform, including: (i) conduct of surveys on the impact of the reforms; (ii) creation of a website to provide coverage of reform initiatives and other outreach activities; and (iii) the design of a monitoring system for managing reform implementation.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Project Implementation**

1. The Recipient, through the EOP, shall carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual agreed with the Association
2. The Recipient shall not assign, amend, abrogate or waive any provisions of the Operational Manual without a prior approval of the Association.
3. The Recipient shall maintain at all times during the implementation of the Project: (i) the Project Board; (ii) the PCT; and (iii) the Technical Groups, all with the composition and terms of reference satisfactory to the Association and to be set forth in the Operational Manual.

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

##### **A. Project Reports.**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months prior to the Closing Date.

##### **B. Financial Management, Financial Reports and Audits.**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report, interim un-audited financial reports for the Project covering the calendar quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial

Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

**Section III. Procurement**

**A. General.**

1. **Goods.** All goods 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 referenced in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' 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 referenced in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods.**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) Shopping
(b) Direct Contracting



**C. Particular Methods of Procurement of Consultants' Services.**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	Least Cost Selection
(b)	Selection based on Consultants' Qualifications
(c)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(d)	Procedure set forth in paragraph 5.4 of the Consultant Guidelines for the Selection of Individual Consultants
(e)	Single Source Selection

**D. Review by the Bank of Procurement Decisions.**

1. The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

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

**A. General.**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the

amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Goods, consultants' services and Training	3,075,900	100%
(2) Operating Costs	296,000	100%
(3) Refund of Project Preparation Advance	128,100	Amount payable pursuant to Section 2.07 of the General Conditions
<b>TOTAL</b>	<u>3,500,000</u>	

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$16,000 equivalent may be made for payments made prior to this date, but on or after April 17, 2006, for Eligible Expenditures.
2. The Closing Date is June 1, 2011.

## APPENDIX

### Definitions

1. "Aid Coordination Unit" means the unit of the Executive Office of the President of the Recipient No. 678 of September 2001, or any successor thereto.
2. "Civil Service Department" means the Civil Service Department established under the President of the Recipient by Decree of the President of the Recipient No. 475 of January 25, 2001, or any successor thereto.
3. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004.
4. "EOP" means the Executive Office of the President of the Recipient.
5. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 1, 2005.
6. "IHQCS" means the Institute for Higher Qualification of Civil Servants of the Recipient under the Civil Service Department, established by the Decree of the President of the Recipient No. 926 of October 9, 2002, or any successor thereto.
7. "MoF" means the Ministry of Finance of the Recipient, or any successor thereto.
8. "MoJ" means the Ministry of Justice of the Recipient, or any successor thereto.
9. "MoLSP" means the Ministry of Labor and Social Protection of Population of the Recipient, or any successor thereto.
10. "Operating Costs" means incremental operating costs incurred by the Recipient on account of Project implementation, management, monitoring, audit, procurement and financial management, including the provision of consultants' services, Training, office equipment, office space rental, office and equipment maintenance and minor repairs, essential travel costs related to the implementation of the Project, costs of necessary Project progress monitoring surveys, communication, translation and interpretation, bank charges, social charges, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Association.
11. "Operational Manual" means the manual adopted by the Recipient, satisfactory to the Association, and setting out the operational and administrative procedures for the implementation of the Project, as the same may be modified in accordance with paragraph 2 of Section I of Schedule 2 to this Agreement.

12. "PARS" means the Public Administration Reform Strategy of the Recipient, adopted by the Presidential Decree of the Recipient No. 1713, dated March 15, 2006, acceptable to the Association, as it may be amended from time to time.
13. "PCT" means the Project Coordination Team, established within the Department for Economic Reforms and Investment of the EOP and responsible for the day-to-day management of the Project and referred to in paragraph 3 (ii) of Section I of Schedule 2 to this Agreement.
14. "Procurement Guidelines" means the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004.
15. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 2, 2006 and referenced in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. "Project Board" means the board of high-level officials of the Recipient established by the Recipient for the steering and governing of the Project and referred to in paragraph 3 (i) of Section I of Schedule 2 to this Agreement.
17. "Selected Government Structures" means the MoLSP, the Civil Service Department, and the MoF, each as heretofore defined, and five or more such other central government structures of the Recipient, as may be agreed between the Recipient and the Association.
18. "Selected Inspection Agencies" means: (i) the Republican Center of the State Sanitary and Epidemiological Inspectorate under the Ministry of Health of the Recipient, established by the Recipient's Government Resolution No. 575 of December 29, 2003, or any successor thereto; and (ii) the Central Directorate of the State Fire Inspectorate under the Ministry of Interior of the Recipient, established by Recipient's Government Resolution No. 726 of December 7, 1995 or any successor thereto.
19. "Technical Groups" means the four groups established by the Recipient and responsible for the substantive aspects of the implementation of the Project in the areas of: (i) civil service reform; (ii) administrative reform, (iii) budget management capacity; and (iv) regulatory management capacity, respectively, and referred to in paragraph 3 (iii) of Section I of Schedule 2 to this Agreement.
20. "Training" means expenditures for Project related study tours, training courses, seminars, workshops and other training activities not included under goods or service providers' contracts, including costs of training materials, space and equipment rental, travel and per diem costs of trainees and trainers.

