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CONFORMED COPY

GRANT NUMBER H576-TJ

Financing Agreement

(Additional Financing for Ferghana Valley Water Resources Management Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 5, 2010

GRANT NUMBER H576-TJ

FINANCING AGREEMENT

Agreement dated August 5, 2010, entered into between REPUBLIC OF TAJIKISTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to six million six hundred thousand Special Drawing Rights (SDR 6,600,000) (“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 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 April 15 and October 15 in each year.
- 2.05. The Payment Currency is US 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, through MMWRM 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; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that the POM satisfactory to the Association has been adopted by the Recipient.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05 (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 date of this Agreement.

ARTICLE V - REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Minister of Finance.
- 5.02. The Recipient's Address is:

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

Facsimile:

(992-372) 213329 or
(992-372) 221-6796

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)	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/ Chiara Bronchi

Authorized Representative

SCHEDULE 1
Project Description

The objectives of the Project are to assist the Recipient in: (i) increasing the coverage of drained and irrigated areas in Bobojon Gafurov and Kannibodom raions, respectively; and (ii) strengthening the early warning system of the Kayrakkum dam as well as carrying out a geotechnical study for assessing the risks associated with said dam.

The Project consists of the Original Project, with the following modification, namely, the Original Project's objective, as set forth in Schedule 2 to the Original Financing Agreement, is amended to read consistently with the objective of this Project, as follows:

“The objectives of the Project are to assist the Recipient in: (i) increasing the coverage of drained and irrigated areas in Bobojon Gafurov and Kannibodom raions, respectively; and (ii) strengthening the early warning system of the Kayrakkum dam as well as carrying out a geotechnical study for assessing the risks associated with said dam.”

SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

The Recipient shall carry out the Project in accordance with the following institutional arrangements:

1. The Recipient shall carry out the Project, through MMWRM in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in POM and the Environmental Management Plan and shall not assign, amend, abrogate or waive any provisions of POM or the Environmental Management Plan without prior approval of the Association.

2. At all times during the implementation of the Project, the Recipient shall maintain PMU, CPSC and PIU, respectively, with a composition, resources and terms of reference satisfactory to the Association.

3. The Recipient, through MMWRM, shall:

 (a) maintain for this Project a panel of independent experts employed under the Original Project who have not been previously involved with the investigation, design, construction, or operation of the dam and reservoir, under terms of reference and with qualifications satisfactory to the Association, with the purpose of reviewing and advising the Recipient on matters relative to the safety of the Kayrakum dam, reservoir dykes and other related structures;

 (b) cause said panel to: (i) periodically inspect and evaluate the safety status of the Kayrakum Dam, reservoir dykes and other related structures and their performance history; (ii) provide a written report of findings and recommendations for any remedial work or safety-related measures; and (iii) provide an immediate analysis and interpretation of all relevant data gathered from the operation of the dam;

 (c) ensure that all works under Part B of the Project are designed and supervised by competent professionals in a manner satisfactory to the Association;

 (d) not later than nine (9) months after the Effective Date, prepare a plan satisfactory to the Association for the Kayrakum dam and reservoir operation and maintenance, and an emergency preparedness plan which shall include, without limitation: clear statements on the responsibility for dam operations decision making and for the related emergency communications; maps outlining inundation level for various emergency conditions; flood warning system characteristics; and procedures for evacuating threatened areas and mobilizing emergency forces and equipment. The

Recipient shall implement the above-referenced plans in a manner and in accordance with a time-table acceptable to the Association;

(e) take all measures necessary to ensure that satisfactory progress has been achieved in farm privatization within the Project implementation areas by the Project mid-term review so as to help setting the base conditions to establish viable WUAs and involvement of users in water management on tertiary systems; and

(f) take, or cause to be taken, all measures necessary to ensure that no human settlements will be displaced as a result of Project activities, and any adverse impacts on vulnerable people of any other restrictions of access to land resulting from Project activities will be mitigated by Project investments directly benefiting the affected people.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards.

1. The Recipient, through MMWRM, shall: (i) carry out the Project in accordance with provisions of the EMP and shall not amend, suspend, abrogate, repeal or waive any provisions of the EMP, without prior approval of the Association; (ii) include adequate information on the implementation of the EMP in the Project Reports referred to in Section II.A of this Schedule; and (iii) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

2. The Recipient, through MMWRM, shall ensure that all measures identified and described in the EMP are taken in a timely manner while carrying out works under the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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.

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 not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project, as part of the Project Reports referred to in Section II.A of Schedule 2 to this Agreement, covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its 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. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General Procurement relating to the Financing will be carried out in accordance with the provisions of the Procurement Guidelines and the Consultants Guidelines as well as in line with the provisions of this Agreement.

1. **Goods and Works.** All goods and works 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 Section I of the Procurement Guidelines, and with the provisions of this Section.
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 referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
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 and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding for works, subject to the additional provisions set forth in the Annex to this Schedule 2
(b) Shopping
(c) 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.

Procurement Method
(a) Least Cost Selection
(b) Selection based on Consultants' Qualifications
(c) Individual Consultants
(d) Single-Source Selection

D. Review by the Association of Procurement Decisions

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 Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works and consultants’ services for the Project, including Training and Operating Costs	6,600,00	100%
TOTAL AMOUNT	<u>6,600,00</u>	

For the purposes of this Schedule:

(a) the term “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; and

(b) the term “operating costs” means incremental operating costs incurred by the MMWRM on account of Project implementation, management and monitoring, including the PMU and PIU staff salaries, office and equipment maintenance and repair, vehicle maintenance and repair, local travel, 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.

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.
2. The Closing Date is May 31, 2013.

**ANNEX
to
SCHEDULE 2**

National competitive bidding procedures of the Recipient may be used for procurement of works under the Project provided that the following provisions are complied with:

1. Works, for which this Agreement allows procurement under paragraphs 3.3 and 3.4 of the Procurement Guidelines, shall be procured in accordance with the provisions of the Law of the Republic of Tajikistan “On Public Procurement of Goods, Works and Services”, dated March 3, 2006 (“the Law”). These provisions, in order to ensure economy, efficiency, transparency, and broad consistency with the provisions included in Section I of the Guidelines (as required by paragraphs. 3.3 of the Guidelines), shall be modified as set forth in the following paragraphs.

Entity responsible for carrying out the procurement

2. The procurement shall be carried out by the “procuring entity” as defined in Article. 9 of the Law), without any involvement of the Authorized Body on Public Procurement (as referred to in Article 3 of the Law).

Participation in bidding

3. Government-owned enterprises in Tajikistan shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the procuring entity (as defined in the Law).

4. Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders. In particular, no domestic preference over foreign shall be granted to local bidders in bid evaluation.

Advertising: time for bid preparation

5. Invitations to bid shall be advertised in at least one (1) widely circulated national newspaper, allowing a minimum of thirty (30) days for the preparation and submission of bids.

Standard bidding documents

6. Until a modified version of the Recipient’s standard bidding documents has been approved by the Association, the Association’s sample NCB bidding documents for the Europe and Central Asia Region shall be used.

Qualification criteria and evaluation criteria

7. Qualification criteria shall be clearly specified in the bidding documents, and criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. Bids of bidders not meeting such criteria shall be rejected as non-qualified. Qualifications of a bidder found to meet the specified qualification criteria shall not be taken into account in the evaluation of such a bidder's bid.

8. Evaluation criteria shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. Evaluation criteria so specified, and only criteria so specified, shall be used in bid evaluation. Merit points shall not be used in bid evaluation.

Bid security

9. For the procurement of goods and works, bidders shall be required to submit a bid security in the amount and in the form specified in the bidding documents, unless otherwise agreed with the Association. A bid security in the form of an advance bank transfer shall not be allowed.

Bid submission and bid opening

10. Bids may be delivered by mail or by hand. Bids shall be opened immediately after the deadline for bid submission in the presence of the bidders who wish to attend. Said deadline and the place of bid opening shall be announced in the invitation to bid. The name of each bidder and the amount of its bid, shall be read aloud and recorded when opened in the minutes of bid opening. The minutes of bid opening shall be signed by the members of the bidding committee immediately after bid opening.

11. Bids received after the deadline for bid submissions shall be returned to the bidders unopened.

Bid evaluation and award of contracts

12. Bidders shall not be allowed to be present during bid evaluation, and no information relating to the evaluation of bids shall be disclosed to bidders until the successful bidder is notified of the award.

13. A bid containing material deviations from or reservations to the terms, conditions and specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened.

14. Evaluation of bids shall be made in strict adherence to the criteria specified in the bidding documents, and contracts should be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid.

15. A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted.

16. There shall be no post-bidding negotiations between the purchaser and the lowest or any other bidder.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “CPSC” means the Central Project Steering Committee established by the Recipient’s Government for overall Project steering and coordination and referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement.
5. “Environmental Management Plan” or “EMP” means the Environmental Management Plan for the Project, satisfactory to the Association, setting forth the measures to be taken during the implementation of the Project to avoid or reduce adverse environmental impacts, and the actions needed to implement these measures, adopted by the Recipient on April 2, 2010, as the same may be updated from time to time in agreement with the Association.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) , with the modifications set forth in Section II of this Appendix.
7. “MMWRM” means the Ministry of Melioration and Water Resources Management of the Recipient or any successor thereto.
8. “Original Financing Agreement” means the Development Grant Agreement for a Ferghana Valley Water Resources Management Project between the Recipient and the Association, dated September 24, 2005, as amended by an Amendment Letter dated February 15, 2010.
9. “Original Project” means the Project described in the Original Financing Agreement.
10. “PIU” means a project implementation unit established within the PMU and located in the Soghd Oblast and referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement.

11. "PMU" means the project management unit established in Dushanbe within the MMWRM for overall Project management and implementation and referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement.
12. "POM" means the Project Operational Manual to be adopted by the Recipient pursuant to Section 4.01 of this Agreement and which shall include the Financial Management Manual and the Procurement Manual.
13. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.
14. "Procurement Plan" means the Recipient's procurement plan for the Project, dated April 26, 2010, referred to 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.
15. "WUA" means a Water Users' Association created pursuant to Article 22 of the Water Code of the Recipient.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

"Section 2.07. Refinancing Preparation Advance

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank ("Preparation Advance"), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance."

2. Paragraph (i) of Section 6.02 is modified to read as follows:

"Section 6.02. Suspension by the Association

... (1) *Ineligibility*. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”

Section III. Extension of the Closing Date in the Original Financing Agreement

Section 2.03 of Article II in the Original Financing Agreement is amended to read as follows:

“Section 2.03. The Closing Date shall be May 31, 2013 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.”