

CONFORMED COPY

CREDIT NUMBER 3240 TJ

Development Credit Agreement

(Farm Privatization Support Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 21, 1999

CREDIT NUMBER 3240 TJ

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 21, 1999, between REPUBLIC OF TAJIKISTAN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Association has received the letter, dated May 12, 1999, from the Borrower, describing the Borrower's objectives and policies in the agricultural sector; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. "Participating Country" means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and "Participating Countries" means, collectively, all such countries."

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Agency Agreement" means the agreement to be entered into between the Borrower and TSB pursuant to Section 3.02 (a) of this Agreement;

(b) "Eligible Farm" means a private farm established by a former member or former members of Participating Farms, which meets the eligibility criteria set forth in Part B of Section II of Schedule 6 to this Agreement;

(c) "Eligible SCA" means a Savings and Credit Association established under the Borrower's legislation in the territory of the Participating Rayons, which meets the eligibility criteria set forth in Part B of Section III of Schedule 6 to this Agreement;

(d) "Grant" means a grant provided or proposed to be provided by TSB to an Eligible Farm under Part C (1) of the Project;

(e) "Grant Agreement" means the agreement to be entered into between TBS acting on behalf of Borrower and Eligible Farm pursuant to Section 3.02 (a) (i) of this Agreement;

(f) "MOA" means the Ministry of Agriculture of the Borrower;

(g) "MOF" means the Ministry of Finance of the Borrower;

(h) "MOJ" means the Ministry of Justice of the Borrower;

(i) "MWR" means the Ministry of Water Resources of the Borrower;

(j) "NBT" means the National Bank of the Borrower;

(k) "Participating Farms" means farms listed in the Annex to Schedule 2 to this Agreement subject to such modifications thereof as the Borrower and the Association may agree upon from time to time;

(l) "Participating Rayons" means rayons listed in the Annex to Schedule 2 to this Agreement subject to such modifications thereof as the Borrower and the Association may agree upon from time to time;

(m) "PIU" means Project Implementation Unit established in each of the Participating Rayons;

(n) "PMU" means Project Management Unit established by the Borrower for

overall coordination and management of the Project;

(o) "Project Account" means the account referred to in Section 6.01 (b) of this Agreement;

(p) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(q) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated August 19, 1998 and September 8, 1998 between the Borrower and the Association;

(r) "Project Steering Committee" means the Committee established by the Borrower by the Decree of the Government of the Republic of Tajikistan No. 216 dated July 27, 1998;

(s) "SLC" means the State Land Committee of the Borrower;

(t) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(u) "Sub-loan" means a loan made or proposed to be made by TSB to an Eligible SCA under Part C (3) of the Project;

(v) "Subsidiary Loan Agreement" means the agreement to be entered into between TBS acting on behalf of Borrower and Eligible SCA pursuant to Section 3.02 (a) (ii) of this Agreement;

(w) "TSB" means State Savings Bank of the Republic of Tajikistan established by the Decree of the President of the Republic of Tajikistan No. 1123 dated November 26, 1998; and

(x) "WUA" means Water Users' Association created pursuant to Article 22 of Water Code of the Republic of Tajikistan.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fourteen million eight hundred thousand Special Drawing Rights (SDR 14,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 30, 2004, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge

on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing August 1, 2009 and ending February 1, 2039. Each installment to and including the installment payable on February 1, 2019 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three (3) consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out: (i) Parts A, B, C (2), and D of the Project through ministries and agencies, set forth in the Annex to Schedule 4 to this Agreement; and (ii) Parts C (1) and C (3) of the Project through TSB, all with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural, engineering, accounting, and environmental standards and practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) For the purposes of implementation of Part C (2) of the Project PMU shall contract a qualified non-governmental organization, acceptable to the Association with an adequate experience and a sound track record in establishing of successful community-based savings and credit associations in rural areas.

(c) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 of this Agreement.

Section 3.02. (a) For the purpose of carrying out Parts C (1) and C (3) of the Project, the Borrower shall enter into an Agency Agreement with TSB under terms and conditions satisfactory to the Association including, without limitation, the Procedures, Eligibility Criteria, and Terms and Conditions set forth in Schedule 6 to this Agreement, and through TSB:

(i) provide to each Eligible Farm, out of the proceeds of the Credit allocated from time to time to Category (4) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, grants under Grant Agreements to be entered into between TSB acting on behalf of the Borrower and Eligible Farms under terms and conditions satisfactory to the Association, which shall include, without limitation, the terms and conditions set forth in Part C of Section II of Schedule 6 to this Agreement;

(ii) make available to each eligible SCA the proceeds of the Credit allocated from time to time to Category (5) of the table set forth in paragraph 1 of Schedule 1 to this Agreement, for the purpose of on-lending to eligible farms, under Subsidiary Loan Agreements to be entered into between TSB, acting on behalf of the Borrower, and Eligible SCA, under terms and conditions satisfactory to the Association, which shall include, without limitation, the terms and conditions set forth in Part C of Section III of Schedule 6 to this Agreement; and

(iii) cause Eligible Farms and Eligible SCAs to perform in accordance with the provisions of the respective Grant Agreement or Subsidiary Loan Agreement, all the obligations set forth therein.

(b) The Borrower undertakes that, unless the Association shall otherwise agree, the Borrower shall cause PMU to review applications for Grants and Sub-loans in accordance with the procedures and eligibility criteria set forth or referred to in Schedule 6 to this Agreement.

(c) The Borrower shall cause TSB to exercise its rights in relation to the Sub-loans and Grants in such manner as to: (i) protect the interests of the Association and the Borrower; (ii) comply with the obligations set forth in the Agency Agreement Grant Agreements and Subsidiary Loan Agreements; and (iii) achieve the purposes of Parts C (1) and C (3) of the Project.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and

without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, acting through PMU, shall establish and at all times maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower, acting through PMU, shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit report of such audit referred to in paragraph (b) of this Section and that the report contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in

paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than December 31, 2000, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) the Agency Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to achieve the objectives of the Project.

(b) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PMU or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely: any of the events specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) an external auditor, acceptable to the Association, has been appointed to carry out the audit of the Project Preparation Advance;

(b) the Project Account in a commercial bank acceptable to the Association has been opened with a total deposit in TJRs equivalent to \$50,000 (fifty thousand dollars);

(c) the Agency Agreement has been executed on terms and conditions satisfactory to the Association;

(d) financial management system referred to in Section 4.01 (a) of this Agreement has been installed and is operational in a form and substance satisfactory

to the Association; and

(e) development in PMU of a procurement management system, satisfactory to the Association.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Agency Agreement has been duly authorized and executed by, and is legally binding upon, the Borrower and TSB in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
3 Akademikov Radzabovych Street,
Dushanbe, 734025
Republic of Tajikistan

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF TAJIKISTAN

By /s/ Rashid Alimov

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ishrat Husain

Acting Regional Vice President
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works	3,340,000	85%
(2) Goods	2,480,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(3) Consultants' services and training	2,400,000	100%
(4) Grants under Part C(1) of the Project	2,730,000	100%
(5) Subloans under Part C (3) of the Project	790,000	100%
(6) Incremental operating costs	1,710,000	90% through September 30, 2000 85% through September 30, 2001 80% through September 30, 2003 75% thereafter
(7) Refunding of Project Preparation Advance	450,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(8) Unallocated	900,000	
TOTAL	14,800,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental operating costs" means operating expenses of PMU, PIUs, MOA, MWR, and SLC and their offices in the Participating Rayons which would not have been incurred absent the Project including, but without limitation, staff salaries, expenses in respect of office accommodation, equipment and supplies, transportation and communication costs and other administrative expenses.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts costing less than \$100,000 equivalent each; (ii) works under contracts costing less than \$200,000 equivalent each; (iii) services under contracts with consultant firms costing less than \$100,000 equivalent each; (iv) services under contracts with individual consultants costing \$25,000 equivalent or less each; (v) training; (vi) grants under Part C (1) of the Project; (vii) sub-loans under Part C (3) of the Project; and (viii) incremental operating costs, under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to:

- (i) develop procedures and institutional mechanisms at the state level and in the Participating Rayons for fair, secure and equitable transfer of land and other farm assets to private individuals or groups;
- (ii) test and implement these procedures in the Participating Farms in order to provide representative models which could serve as a basis for wider geographical replicability; and
- (iii) create sustainable private family farming units and provide them with the enabling conditions to operate independently in a market economy.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Farm Restructuring Services

- (1) Strengthening the capacity of SLC and its offices in Participating Rayons through provision of technical assistance, training, office equipment, survey, mapping and land registration equipment, vehicles, and financing of incremental operating costs to enable them to undertake land surveying and mapping, to register land parcels and to issue land use rights certificates.
- (2) Strengthening MOA's capacity to provide information and advisory services to private farmers through providing technical assistance, training, vehicles, office and video equipment, advisory services and information for development of private extension services over a period of time.
- (3) Provision of technical assistance, seeds, fertilizer, pesticides, machinery and equipment to conduct in a number of representative Participating Farms field demonstrations of appropriate agricultural technologies.

Part B: Rehabilitation of Critical Main and Field Level Irrigation and Drainage Works

- (1) Carrying out of the following irrigation and water supply rehabilitation works in Participating Rayons:
 - (i) repair or replacement of water control and water turnout gates;
 - (ii) desilting of main irrigation canals and drainage collectors;
 - (iii) repair or replacement of existing weirs and flumes and installation of water measurement devices; and
 - (iv) introduction of drip and sprinkler irrigation systems as

demonstrations in selected areas.

(2) Provision of technical assistance, training and office equipment for the establishment in Participating Rayons of WUAs to operate and manage field level irrigation and drainage systems.

Part C: One-time Grants and Establishment of Savings and Credit Associations

(1) Provision of one-time grants to Eligible Farms to enable them to obtain a minimal amount of the most critical agricultural inputs to increase crop and/or animal productivity as soon as possible.

(2) Provision of technical assistance and training for the establishment of SCAs in the Participating Rayons.

(3) Provision of a credit line to TSB for the purpose of on-lending to Eligible SCAs in the Participating Rayons.

Part D: Project Management and Implementation

Support for the establishment and operations of the PMU and of PIUs in each of the Participating Rayons through rehabilitation of offices, provision of technical assistance, training, vehicles, office equipment, and financing of incremental operating costs.

* * *

The Project is expected to be completed by June 30, 2004.

Annex to Schedule 2

Participating Rayons and Participating Farms

Oblast/Area	Rayons Farms
1. Khatlon	1. Kolkhozabad
2. Yavan	(i) Guliston and (ii) Ittifaq
(i) Firdauzi and (ii) Sharif Rakhmanov	
2. Leninabadl.	Macha
2. Zafarabad	(i) Wafo, and (ii) Ch. Ergashev
(i) Kanz	
3. Rayons under Republican Subordination (RRS)	
1. Shaharinau	
2. Leninisky	
(i) Hakiqat and (ii) Leningrad	
(i) Varzob	

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works
Part A: General

1. Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997, and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines) and the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for works under Part B of the Project shall be grouped in bid packages estimated to cost \$200,000 equivalent or more each, and contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$173,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$60,000 equivalent per contract, up to an aggregate amount not to exceed \$220,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for works estimated to cost the equivalent of \$200,000 or more and to each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods estimated to cost the equivalent of \$50,000 or more, the following procedures shall apply:

(i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines) and the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for monitoring and evaluation of the Project activities and for Project

audit estimated to cost less than \$286,000 equivalent in aggregate may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for demonstration and training extension estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services under Parts A (1) and B (1) of the Project may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for procurement and accounts management under Part D of the Project for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms for technical assistance and training estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms for technical assistance and training estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$25,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about December 31, 2000, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by January 31, 2001, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

Annex to Schedule 4

Agencies Responsible for Execution of the Project Part of the Project

Responsible Agency Part A (1) coordination with MOJ Parts A (2) and A (3) and MOA Part B	PMU and SLC in PMU
PMU and MWR Part C (1) and Part C (3) MOF through TSB in coordination with PMU	
Part C (2) Part D	MOA, NBT and PMU
Project Steering Committee,	PMU and PIUs

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 5,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish

to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no

further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Procedures for, Eligibility Criteria, Terms and Conditions of Grants and Sub-loans

Section I: Agency Agreement

Agency Agreement to be entered into between the Borrower and TSB for the purpose of Parts C (1) and C (3) of the Project shall include, inter alia, the following terms and conditions:

1. The Borrower shall make available to TSB the proceeds of the Credit in Tajik Rubles allocated from time to time to Categories (4) and (5) of the table set forth in paragraph 1 of Schedule 1 to this Agreement.

2. TSB shall transfer to the Borrower without delay, but in any case not later than within 10 working days, any interest or principal amount of a Sub-loan, received from an Eligible SCA under a Sub-loan agreement.

3. The Borrower shall pay to TSB:

(a) a service fee at the rate of three percent (3%) of the total amount of grants processed and deposited in the Eligible Farms accounts on a monthly basis; and

(b) a service fee at the rate of one percent (1%) of the total amount of Sub-loans provided to the Eligible SCAs and additional one percent (1%) out of the total amount of the principal and interest received from Eligible SCAs on an arrears basis under Sub-loan Agreements.

4. TSB shall engage an adequate number of qualified staff to ensure that Grants and Sub-loans will be processed with due diligence and efficiency.

5. TSB shall maintain records and accounts adequate to reflect its operations and financial condition, in accordance with acceptable to the Association sound accounting practices.

6. TSB shall furnish to PMU, as soon as available, but in any case, not later than two months after the end of each fiscal year, certified copies of financial statements and accounts for this period in such scope and detail as the Association or PMU shall have reasonably requested.

7. The terms and conditions of the Agency Agreement will be reviewed by the Borrower and TSB in June 2000 and respective modifications and amendments thereto will be introduced if necessary.

Section II. Part C (1) of the Project

Part A: Procedures

1. An application for a grant in a form satisfactory to the Association and

containing all necessary information shall be submitted through the PIU of the respective Participating Rayon to PMU.

2. PMU shall review an application, ensure compliance with the eligibility criteria set forth in the following Part B of this Section II, evaluate the amount of the grant to be provided, and submit the list of Eligible Farms in each of the Participating Rayons with its recommendations to the Project Steering Committee for approval.

3. Following the approval by the Project Steering Committee of the list of Eligible Farms, TSB acting on behalf of the Borrower shall enter into a Grant Agreement with each Eligible Farm containing, without limitation, the terms and conditions set forth in the following Part C of this Section II.

Part B: Eligibility Criteria

Grants under Part C (1) of the Project shall be provided only to a private farm established by a former member or former members of Participating Farms which:

- (a) possesses a valid land use right certificate issued by SLC;
- (b) has an account in TSB;
- (c) is a member of WUA and has access to assured and timely supply of water for agricultural activities; and
- (d) is engaged in agricultural activity as the main source of income.

Part C: Terms and Conditions of Grant Agreements

1. A grant to each Eligible Farm will be provided in the currency of the Borrower and will be limited to the equivalent of \$300 per hectare of arable land possessed by the Eligible Farm but not more than equivalent of \$600 for each Eligible Farm.

2. The amount of the grant shall be used for productive income generating agricultural activities in accordance with sound agricultural and environmental standards.

Section III. Part C (3) of the Project

Part A: Procedures

1. An application for a Sub-loan in a form satisfactory to the Association and containing all necessary information shall be submitted to PMU.

2. PMU, with the assistance of a qualified non-governmental organization, acceptable to the Association to be contracted for the purposes of Part C (2) of the Project, shall review the application and ensure its compliance with the eligibility criteria set forth in the following Part B of this Section III.

3. Each application for a Sub-loan is subject to approval by the Project Steering Committee under recommendation of PMU.

4. Following the approval of the proposed Sub-loan, TSB acting on behalf of the Borrower shall enter into a Subsidiary Loan Agreement with each of Eligible SCAs which shall contain, without limitation, the terms and conditions set forth in Part C of this Section III.

Part B: Eligibility Criteria

Sub-loans under Part C (3) of the Project shall be made to SCAs established in the territory of the Participating Rayons which:

- (a) are registered by NBT in accordance with the Regulations of NBT No. 83 dated January 26, 1999;
- (b) maintain their accounting records according to established standards acceptable to the Association;

(c) have received training acceptable to the Association; and

(d) are in compliance with prudential rules established by NBT for SCAs activities.

Part C: Terms and Conditions of Sub-loan Agreements

1. A Sub-loan to each Eligible SCA shall be made in the currency of Borrower in the amount not more than equivalent of \$200,000 of which:

(a) an amount of up to \$150,000 equivalent can be allocated for the subsequent on-lending to the members of Eligible SCAs for productive purposes; and

(b) an amount of up to \$50,000 can be provided to each of the Eligible SCAs as start up capital.

2. The principal amount of each Sub-loan shall be repaid by an Eligible SCA to TSB in Tajik Rubles in equal semi-annual installments over ten (10) years including a grace period of one (1) year.

3. Each Sub-loan shall be charged at an interest rate which shall represent the prevailing NBT discount rate.

