

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
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January 26, 2011

H.E. Safaraly Nadjmiddinov
Minister of Finance
Dushanbe
Republic of Tajikistan

Excellency:

Re: Tajikistan: Credit No. 4093-TJ, Grant No. H178-TJ
(Energy Loss Reduction Project)
Amendment to Development Financing Agreement

We refer to the Development Financing Agreement between the Republic of Tajikistan (the Borrower) and the International Development Association (the Association) dated September 8, 2005 (the Development Financing Agreement). We also refer to your requests, dated September 30, 2009 and September 28, 2010 respectively, to amend the Development Financing Agreement.

We are pleased to inform you that the Association concurs with your requests and agrees to amend the Development Financing Agreement as follows:

1. Paragraph (E) of the Preamble to the Development Financing Agreement is amended to read as follows:

“(E) the Borrower intends to receive from the Swiss Government’s Secretariat for Economic Affairs (“Co-financier” or “SECO”) a grant in the amount equivalent to eight million Dollars (US\$8,000,000), of which a portion equivalent to three million nine hundred eighty-two thousand twenty-six Dollars and forty-six cents (US\$3,982,026.46) has been provided to the Borrower by SECO pursuant to the SECO Grant Agreement, and the remaining portion of four million seventeen thousand and nine hundred seventy-three Dollars and fifty-four cents (US\$4,017,973.54) will be administered by the Association under the SECO Co-financing Agreement.”

2. The paragraph which follows paragraph (E) of the Preamble to the Development Financing Agreement is amended to read as follows:

“WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit and the Grant and the SECO Co-financing to the Borrower upon the terms and conditions set forth in this Agreement, in the SECO Co-financing Agreement, the BT Project

Agreement (as defined hereinafter), the BT Co-financing Project Agreement (as defined hereinafter), the TTG Project Agreement (as defined hereinafter) and the TTG Co-financing Project Agreement (as defined hereinafter);”

3. Section 1.02 is modified to read as follows:

(a) “Barki Tajik” or “BT” means OSHPC Barki Tajik, an open joint stock holding company established by the Borrower’s Government Decree No. 537, dated October 31, 2008, and registered on November 27, 2008 (registration No. 001-5563) or any successor or successors thereto;

(b) “BT Co-financing Project Agreement” means the agreement between the International Development Association and Barki Tajik, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the BT Co-financing Project Agreement;

(c) “BT Project Agreement” means the agreement between the Association and Barki Tajik of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the BT Project Agreement;

(d) “BT Subsidiary Loan Agreement” means the agreement between the Borrower and Barki Tajik, dated December 7, 2005, to be amended pursuant to Section 5.01 (b) of the SECO Co-financing Agreement;

(e) “Engineering and Dam Safety Panel” means an independent panel of engineering and dam safety experts to be selected, managed and funded by the Association, which shall be responsible for reviewing and advising on TEAS.

(f) “ESIA” means the Environmental and Social Impact Assessment Study to be carried out under Part C.2 of the Project, addressing environmental and social risks relating to the proposed Rogun HEP , as well as setting forth the mitigation, monitoring and institutional measures to manage the risks;

(g) “Environment and Social Panel” means an independent panel of environmental and social experts to be selected, managed and funded by the Association, which shall be responsible for reviewing and advising on ESIA.

(h) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of the Project Agreement;

(i) “Procurement Plan” means the Borrower’s procurement plan, dated May 23, 2005, covering the Project implementation period, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover the remaining period of Project implementation;

(k) “Resettlement Action Plan” or “RAP” means the Resettlement Action Plan to be prepared by the Borrower pursuant to Section 3.08 (b) of this Agreement;

(l) “Resettlement Audit” means the review of all resettlement activities undertaken during the period from December 1, 2009 and prior to completion of the ESIA that have been related to the proposed Rogun HEP, including review of resettlement terms, procedures and practices and identifying any remedial measures that may be necessary to bring those resettlement activities into consistency with the Resettlement Policy Framework and the Association’s Operational Policy on Involuntary Resettlement (OP 4.12);

(m) “Resettlement Policy Framework” means the Resettlement Policy Framework to be prepared pursuant to Section 3.08 (b) of this Agreement defining the modalities for acquiring and allocating land, resettlement and rehabilitation of displaced persons;

(n) “Riparian States” means upstream and downstream riparian states along the Vakhsh River and Amu Darya River, including Tajikistan, Turkmenistan, Uzbekistan, Afghanistan, Kazakhstan, and Kyrgyzstan;

(o) “Rogun Hydroelectric Project” or “Rogun HEP” means the Borrower’s project for the rehabilitation works and planned construction of a 3600 MW reservoir-type hydroelectric power plant along the Vakhsh River, and located upstream of the Nurek Hydroelectric Power Plant and 110 kilometers from Dushanbe City, for the generation of energy resources for the Borrower and the regulation of water;

(p) “SECO Co-financing Agreement” means the SECO co-financing agreement, as the same may be amended from time to time, to be entered into between the Borrower and the Association, the latter acting as administrator of the portion of the grant funds to be provided by SECO through the Association to assist the Borrower in financing the Project;

(q) “SECO Grant Agreement” means the SECO grant agreement between the Borrower and SECO, dated April 2, 2007, as the same may be amended from time to time, to assist the Borrower in financing the Project;

(r) “Subsidiary Loan Agreements” means, collectively, the BT Subsidiary Loan Agreement and the TTG Subsidiary Loan Agreement;

(s) “Tajiktransgaz” or “TTG” means OJSC Tajiktransgaz, an open joint stock holding company, established by the Borrower’s Government Decree No. 81, dated February 21, 2009, and registered on May 28, 2009 (Registration № 001-6163), or any successor or successors thereto;

(t) “TEAS” means the Techno-Economic Assessment Study to be carried out under Part C.2 of the Project and addressing the engineering, geologic and financial/economic aspects of the proposed Rogun HEP;

(u) “TTG Co-financing Project Agreement” means the agreement between the Association and Tajiktransgaz, as the same may be amended from time to time and such term includes all schedules and agreements supplemental to the TTG Co-financing Project Agreement;

(v) “TTG Project Agreement” means the agreement between the Association and Tajiktransgaz of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the TTG Project Agreement; and

(w) “TTG Subsidiary Loan Agreement” means the agreement between the Borrower and Tajiktransgaz, dated December 6, 2005, to be amended pursuant to Section 5.01 (b) of the SECO Co-financing Agreement between the Borrower and the International Development Association, as the same may be amended from time to time.”

4. All references to “Tajik Gas” in the Development Financing Agreement are hereby replaced with “Tajiktransgaz.”

5. A new Section 3.08 is added to the Development Financing Agreement as follows:

“Section 3.08. (a) The Borrower shall and shall cause BT to carry out TEAS and ESIA under Part C of the Project in accordance with the terms of reference agreed upon with the Association and in compliance with the Association’s applicable safeguard policies. For the purposes of carrying out TEAS and ESIA, the Borrower shall: (i) fully participate in the work of the Engineering and Dam Safety Panel and the Environment and Social Panel (collectively, the “Panels”) , including participating in the Panels’ meetings and riparian consultation meetings; (ii) provide supporting services to said Panels as agreed with the Association; and (iii) ensure that comments and recommendations of said Panels are adequately reflected in the final assessment reports.

(b) The Borrower shall: (i) ensure that there is no reallocation of residents from the proposed Rogun dam future reservoir area, unless and until the Borrower shall have prepared, disclosed and published a Resettlement Policy Framework, Resettlement Action Plan and Resettlement Audit Report, all satisfactory to the Association, and as required under ESIA; (ii) make best efforts to avoid relocation of residents in the vicinity of the Rogun dam site until the documents referred to in (i) above shall have been prepared; and (iii) in case continued resettlement of remaining residents in the vicinity of the Rogun dam site takes place, the Borrower shall carry out such resettlement with due care and in accordance with the Borrower’s applicable legal and institutional framework, as well as with the international good practices (including but not limited to adequate grievance mechanism).

(c) The Borrower shall ensure that no actions shall be taken which lead to or result in the diversion of waters along the Vakhsh River unless and until the assessments relating to coffer dam and a 70 m dam facility, as part of TEAS and ESIA, have been completed, and the draft reports of these assessments have been shared with the Riparian States, and said Riparian States have been afforded an opportunity to comment on said assessment within a reasonable period of time; and such assessment has been reviewed with the Panels to determine feasibility of constructing any dam facility within the Rogun HEP .”

6. Section 5.01 of the Development Financing Agreement is deleted and replaced with the following:

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

(a) Barki Tajik or Tajiktransgaz shall have failed to perform any of their obligations under the BT Project Agreement, the BT Co-financing Project Agreement, the TTG Project Agreement or the TTG Co-financing Project Agreement, respectively;

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that Barki Tajik or Tajiktransgaz will be able to perform its obligations under the BT Project Agreement, the BT Co-financing Project Agreement, the TTG Project Agreement or the TTG Co-financing Project Agreement, respectively; and

(c) Any of the following events occurs with respect to the financing specified in this Agreement to be provided for the Project by the Co-financier (the SECO Co-financing).

(i) Subject to sub-paragraph (ii) of this paragraph: (A) the right to withdraw the proceeds of the SECO Co-financing has been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the SECO Co-financing Agreement; or (B) the SECO Co-financing has become due and payable prior to its agreed maturity.

(ii) Sub-paragraph (i) of this paragraph shall not apply if the Borrower to this Agreement establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination or prematuring was not caused by the failure of the recipient of the SECO Co-financing to perform any of its obligations under the SECO Co-financing Agreement; and (B) adequate funds for the Project are available from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.”

7. The table at paragraph 1 of Schedule 1 of the Development Financing Agreement is amended to read as follows:

<u>Category</u>	<u>“Amount of the Credit Allocated (Expressed in (SDR Equivalent))”</u>	<u>Amount of the Grant Allocated (Expressed in (SDR Equivalent))</u>	<u>% of Expenditures to be Financed</u>
(1) Goods, works, and consultants’ services for Parts A and C.2 of the Project	6,450,000	880,000	100%
(2) Goods, works, and consultants’ services for Parts B and C.3 of the Project	3,550,000	400,000	100%

(3) Consultants' services for Part C.1 of the Project	0	720,000	100%
	_____	_____	
TOTAL	<u>10,000,000</u>	<u>2,000,000</u>	

8. Schedule 2 of the Development Financing Agreement is amended to read as follows:

“SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to assist in reducing the commercial losses in the electricity and gas systems, and to lay the foundation for the improvement of the financial viability of the electricity and gas utilities in a socially responsible manner; as well as (ii) to assist in the viability assessment of the Rogun HEP.

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: Electricity Component

1. Supply and installation of approximately 170,000 electricity meters and related equipment and materials for all consumers in the Dushanbe Electricity Network.
2. Design, supply and installation of automated billing systems for the Dushanbe Electricity Network.

Part B: Gas Component

1. Supply and installation of approximately 144,000 gas meters, bulk gas meters, turbine gas meters, and related works and materials to complete Tajiktransgaz's gas metering program.
2. Supply and installation of laboratories for gas meter calibration, testing and quality control.
3. Design, supply and installation of automated billing systems for Tajiktransgaz.

Part C: Technical Assistance

1. Assistance to the Borrower for: (a) financial, legal and technical advisory services for the development of new hydro electric projects aimed at electricity exports; (b) the implementation of electricity and gas tariff policies; (c) implementation of social protection policies for energy reforms; (d) monitoring and evaluation of performance of Barki Tajik and Tajiktransgaz; and (e) develop mechanisms for the interaction between energy consumers and the Borrower's agencies involved in technical and economic regulation of energy supply.

2. Assistance to Barki Tajik for: (a) engineering, management and supervision of Part A of the Project; (b) implementation of a financial management improvement program, and independent auditing; (c) development and establishment of an industry-standard electricity exports contract; and (d) carrying out of a Techno-Economic Assessment Study (TEAS) and Environmental and Social Impact Assessment Study (EIAS) relating to the development of the proposed Rogun HEP.

3. Assistance to Tajiktransgaz for: (a) engineering, management and supervision of Part B of the Project; (b) implementation of a financial management improvement program and independent auditing; and (c) preparation of pre-feasibility study and related consulting services for rehabilitation of main and in-city gas pipeline network covered by Tajiktransgaz.

* * *

The Project is expected to be completed by December 31, 2011.”

9. In Schedule 3 of the Development Financing Agreement, new paragraphs 3, 4, 5, 6 and 7 are added to Section III to read as follows:

“3. Quality Based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured in accordance with the provisions of paragraphs 3.1 to 3.4 of the Consultant Guidelines.

4. Selection under a Fixed Budget. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.5 of the Consultant Guidelines may be procured in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

5. Least Cost Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.6 of the Consultant Guidelines may be procured in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

6. Selection Based on the Consultant’s Qualification. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.7 of the Consultant Guidelines may be procured in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

7. Single Source Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.9 of the Consultant Guidelines may be procured in accordance with the provisions of paragraphs 3.1, and 3.9 to 3.13 of the Consultant Guidelines.”

10. The attachment to Supplemental Letter 2 is hereby replaced by the attachment hereto.

All other terms and conditions of the Development Financing Agreement, as amended hereby, shall remain in full force and effect.

Please confirm your agreement on behalf of the Republic of Tajikistan with the above amendment by signing, dating and returning to us one of the original copies of this Amendment Letter. This Agreement shall become effective upon receipt by the Association of the confirmation of this letter countersigned by you.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mehrnaz Teymourian
Acting Regional Director
Central Asia

CONFIRMED AND AGREED:

REPUBLIC OF TAJIKISTAN

By /s/ H.E. Safaraly Nadjmiddinov

Title: Minister of Finance

Date: February 9, 2011

TAJIKISTAN: ENERGY LOSS REDUCTION PROJECT

Results Framework and Monitoring

Original Project Development Objective (PDO): The development objectives of the project are (i) to assist in reducing the commercial losses in the electricity and gas systems; and (ii) to lay the foundation for the improvement of the financial viability of the electricity and gas utilities in a socially responsible manner;											
Revised Project Development Objective: The development objectives of the project are (i) to assist in reducing the commercial losses in the electricity and gas systems; and to lay the foundation for the improvement of the financial viability of the electricity and gas utilities in a socially responsible manner; and (ii) to assist in the viability assessment of the Rogun HEP.											
PDO Level Results Indicators*	Core	D=Dropped C=Continue N= New R=Revised	Unit of Measure	Baseline 2004	Cumulative Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection
					YR 1 2008 Actual	YR 2 2009 Actual	YR 3 2010 Target	YR4 2011 Target			
Indicator One: Unaccounted for electricity in Dushanbe	<input type="checkbox"/>	C	%	13 ¹	18	18.1	13	11	Annual	Monthly Reports	Barki Tajik
Indicator Two: Posted Tariff in Dushanbe	<input type="checkbox"/>	C	USc/kWh	0.6	1.4	1.74	2.1	2.6	Annual	Monthly Reports	Barki Tajik
Indicator Three: Collection in cash for electricity billed consumption in Dushanbe	<input type="checkbox"/>	C	%	54	104.8 ²	83.3	90	92	Annual	Monthly Reports	Barki Tajik
Indicator Four: Electricity sales (billed) in Dushanbe.	<input type="checkbox"/>	C, N	GWh	1,521	1,385	1,839	1,900	1,977	Annual	Monthly Reports	Barki Tajik
Indicator Five: Unaccounted for gas in Tajikistan	<input type="checkbox"/>	C	%	25	16.3	14.6	8	7	Annual	Monthly Reports	Tajiktransgaz
Indicator Six: Collection in cash for gas (billed consumption) in Tajikistan	<input type="checkbox"/>	C	%	83	90	100	100	100	Annual	Monthly Reports	Tajiktransgaz
Indicator Seven: Assessment Studies (two) for	<input type="checkbox"/>	N	Not Applicable					Study completed	Annual	Monthly Reports	Barki Tajik

¹ This baseline data is no longer valid, because of the improvements in the metering system that were introduced after 2004-2005, thereby replacing previous methodology of calculation of losses.

² Cash collection exceeded 100% due to collection of some previous years' arrears.

Rogun hydroelectric project (HEP) completed			ble					(upto Phase-2)³			
Contribution to investment electricity		D									
Contribution to investment gas		D									
INTERMEDIATE RESULTS											
Intermediate Result (Component One): Nil											
Revised Intermediate Result (Component One): Delivery and Installation of electricity meters											
Intermediate Result indicator:											
Electricity Meters Delivered	<input type="checkbox"/>	N	Units	0	50,000	134,500	170,400	170,400	Annual	Monthly Reports	Barki Tajik
Electricity Meters Installed		N	Units	0	8,900	105,700	170,400	170,400	Annual	Monthly Reports	Barki Tajik
Revised Intermediate Result (Component One): Rogun Assessment (Component one): Assessment Studies for Rogun HEP											
Assessment Studies (two) for Rogun HEP Completed	<input type="checkbox"/>	N	Not – Applicable				Contracts Awarded for Studies	Study Completed (Phase-2)	Annual	Monthly Reports	Barki Tajik
Intermediate Result (Component One): Nil											
Revised Intermediate Result (Component Two): Delivery and Installation of gas meters											
Intermediate Result indicator:											
Gas Meters Delivered	<input type="checkbox"/>	N	Units	0	93,500	93,580	93,580	93,580	Annual	Monthly Reports	Tajiktransgaz
Gas Meters Installed		N	Units	0	138,000	143,900	144,000	144,000	Annual	Monthly Reports	Tajiktransgaz
:											

³ The restructured project will only cover part (first two phases) of the two studies.

