

**CONFORMED COPY**

**CREDIT NUMBER 3642 TJ**

# **Project Agreement**

**(Second Poverty Alleviation Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**NATIONAL SOCIAL INVESTMENT FUND OF TAJIKISTAN**

**Dated July 3, 2002**

**CREDIT NUMBER 3642 TJ**

## **PROJECT AGREEMENT**

AGREEMENT, dated July 3, 2002, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and NATIONAL SOCIAL INVESTMENT FUND OF TAJIKISTAN (NSIFT).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Republic of Tajikistan (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to eleven million one hundred thousand Special Drawing Rights (SDR 11,100,000), on the terms and conditions set

forth in the Development Credit Agreement, but only on conditions that NSIFT agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary agreement to be entered into between the Borrower and NSIFT, the proceeds of the credit provided for under the Development Credit Agreement will be made available to NSIFT on the terms and conditions set forth in said Subsidiary Agreement; and

WHEREAS NSIFT, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## **ARTICLE I**

### **Definitions**

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

## **ARTICLE II**

### **Execution of the Project**

Section 2.01. (a) NSIFT declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and NSIFT shall otherwise agree, NSIFT shall carry out the Project in accordance with Operations Manual, the Implementation Program set forth in Schedule 2, the Criteria and Procedures for Micro-projects set forth in Schedules 3 and the Criteria and Procedures for Micro-finance set forth in Schedule 4 to this Agreement.

Section 2.02. 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 1 to this Agreement.

Section 2.03. (a) NSIFT shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, NSIFT shall:

(i) 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 Association and NSIFT, a plan for the future operation of the Project; and

- (ii) afford the Association a reasonable opportunity to exchange views with NSIFT on said plan.

Section 2.04. NSIFT shall duly perform all its obligations under the Subsidiary Agreement. Except as the Association shall otherwise agree, NSIFT shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement or any provision thereof.

Section 2.05. (a) NSIFT shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Agreement, and other matters relating to the purposes of the Credit.

(b) NSIFT shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by NSIFT of its obligations under this Agreement and under the Subsidiary Agreement.

### **ARTICLE III**

#### **Management and Operations of NSIFT**

Section 3.01. NSIFT shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. NSIFT shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and technical practices.

Section 3.03. NSIFT shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

### **ARTICLE IV**

#### **Financial Covenants**

Section 4.01. (a) NSIFT shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

- (b) NSIFT shall:
  - (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 and 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, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon NSIFT's progress reporting obligations set out in paragraph 1 of Schedule 2 to this Agreement, NSIFT shall prepare and furnish to the Association a Financial Monitoring Report in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Effective Date; Termination; Cancellation and Suspension**

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of NSIFT thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date twenty years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify NSIFT of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

## **ARTICLE VI**

### **Miscellaneous Provisions**

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

(202) 477-6391

For NSIFT

National Social Investment Fund of Tajikistan  
17 Bokhtar Street  
11th Floor  
Dushanbe  
Tajikistan

Facsimile:

992-372-510067

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of NSIFT, or by NSIFT on behalf of the Borrower under the Development Credit Agreement, may be taken or executed by the Executive Director of NSIFT or such other person or persons as the Executive Director of NSIFT shall designate in writing, and NSIFT shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

/s/ Dennis de Tray  
Authorized Representative

NATIONAL SOCIAL INVESTMENT FUND OF TAJIKISTAN

By:

/s/ Sherali Zardov  
Authorized Representative

## **SCHEDULE 1**

### **Procurement and Consultants' Services**

#### Section I. Procurement of Good and Works

##### Part A: General

Goods and works shall be procured in accordance with (a) 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 (the Guidelines) and the provisions of the following Parts of this Section I.

##### Part B: Procurement Procedures

###### 1. National Competitive Bidding

Except as otherwise provided in paragraphs 2, 3, 4 and 5 below, goods and works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

###### 2. International Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$480,000 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.

###### 3. National Shopping

Goods estimated to cost less than \$20,000 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.

###### 4. Procurement of Small Works

Works estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$2,000,000 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.

5. Community Participation

Goods under Part A.1 of the Project estimated to cost less than \$10,000 equivalent per contract, and up to an aggregate amount of \$670,000 equivalent, and works required under Part A.1 of the Project estimated to cost less than \$30,000 equivalent per contract, and up to an aggregate amount of \$5,125,000 equivalent, shall be procured in accordance with procedures acceptable to the Association.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations 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 the first five contracts under paragraph 1 of Part B, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first five contracts under paragraphs 2, 3, 4 and 5 of Part B, 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

Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association 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 (b) the provisions of the following Parts of this Section II.

### Part B: Procedures for the Selection of Consultants

#### 1. Selection Based on Consultants' Qualifications

Services for Micro-projects under Parts A.1 and A.2 of the Project, estimated to cost less than \$50,000 equivalent per contract, and services for technical assistance and training under Parts A.3, A.4, B and C, estimated to cost less than \$100,000 per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

#### 2. Least-cost Selection

Services for financial audits may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

#### 3. Individual Consultants

Services for Micro-projects under Parts A.1 and A.2 of the Project estimated to cost less than \$10,000 equivalent per contract and services for technical assistance under Parts A.3, A.4, B and C of the Project, 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 estimated to cost the equivalent of \$30,000 or more, the procedures set forth in paragraphs 1, 2 (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 individual consultants estimated to cost the equivalent of \$10,000 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 2**

### **Implementation Program**

1. NSIFT 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, 2004, 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 March 31, 2005, 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.

2. NSIFT shall complete an annual investment plan and an annual training plan for the

following year and submit them, by September 30 of each year, for review by the Association.

3. NSIFT shall complete and submit to the Association a semi-annual audit, and evaluation of Part A of the Project by March 31 and September 30 of each year.

### **SCHEDULE 3**

#### **Criteria and Procedures for Micro-Projects under Parts A.1 and A.2 of the Project**

1. By September 30 of each year, NSIFT shall prepare an annual investment plan, setting out the planned investments by region for the following year.

2. NSIFT shall:

(a) under Parts A.1 and A.2 of the Project, conduct an awareness campaign; and

(b) for each Micro-project under Part A.1 of the Project, conduct at least one meeting with the community attended by at least 40 percent of the Beneficiaries and other stakeholders, for the selection of the Implementing Agency.

3. For each Micro-project under Part A.1 of the Project, the Implementing Agency shall prepare the project proposal with the assistance, if necessary, from NSIFT and local experts hired by NSIFT.

4. For each Micro-project under Part A.1 of the Project, the Beneficiary shall meet the eligibility criteria based on a community assessment undertaken by the project officer in NSIFT with regard to: (a) financing threshold; (b) organizational capacity of the community; (c) technical issues such as poverty profile of the community, existence of infrastructure, availability of social services; (d) financial and accounting skills; (e) role of IAs that are implementing Micro-projects on behalf of the Beneficiaries; (f) cost-benefit analysis; and (g) beneficiary contribution.

5. For each Micro-project under Part A.2 of the Project, any entity, local state administration or a body of local self-government, non-governmental organization or community-based organization that meets the following criteria may submit the proposal on behalf of the community as the IA: (a) legal registration in accordance with the law on public organizations (Law No. 646, dated May 23, 1998), if it is a non-governmental organization; (b) previous experience with the community-based social services; (c) strong support from the community; (d) possession of sound financial management and business skills; and (e) commitment of in-cash or in-kind contribution from the IA.

6. For each Micro-project under Part A.2 of the Project, the project officer of NSIFT shall visit the community for which the application was made, and complete a Micro-project appraisal questionnaire, which examines the feasibility and validity of the Micro-projects, and the capacity of the IAs.

7. The prepared proposal shall be submitted to NSIFT branch office, and forwarded to the central office of NSIFT with the recommendation.

8. The proposal shall be reviewed by NSIFT Technical Board Unit comprised of NSIFT

technical experts and the final decision shall be made by NSIFT Executive Committee, within 30 days from the submission to the branch office, based on the following factors: (a) technical consistency; (b) economy and financial soundness; (c) expected benefits; (d) implementation capacity; (e) beneficiary participation; (f) sustainability; (g) environmental protection; and (h) any other applicable criteria and guidelines set forth in the Operations Manual.

9. For Micro-projects above \$50,000, the approval of the Board of NSIFT and the Association is required.

10. NSIFT shall conduct evaluations: (a) at the completion of each Micro-project; and (b) nine months after the completion of each Micro-project.

11. NSIFT shall conduct beneficiary assessment during the mid-term and the completion of the Project in order to measure the impact of the Micro-projects on Beneficiaries.

12. The monitoring reports and financial reports of the Micro-projects shall be posted in public for review by the community.

## **SCHEDULE 4**

### **Terms and Conditions of Micro-Finance under Part B of the Project**

1. Subloans under Part B of the Project shall be made by NSIFT to MFIs which fulfill the following eligibility criteria:

(a) are registered by the National Bank of Tajikistan in accordance with Regulations No. 19 dated, January 28, 2002;

(b) are in compliance with prudential rules established by the National Bank of Tajikistan for non-bank financial institution activities;

(c) have an experience of operations in the micro-finance sector for at least two years and have audited accounts carried out by external auditors, acceptable to the Association;

(d) have submitted an institutional development plan focusing on management and governance acceptable to the Association; and

(e) meet the minimum operational financial sustainability criteria established by NSIFT acceptable to the Association.

2. NSIFT shall enter into the Subsidiary Loan Agreement with MFIs, which shall include, inter alia, the following terms and conditions:

(a) NSIFT shall make available to MFI part 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 the Development Credit Agreement;

(b) MFI shall carry out its operations in accordance with the prudential rules established by the National Bank of Tajikistan for Micro-finance activities and under the procedures set out in the Operations Manual;

(c) MFI shall maintain records and accounts adequate to reflect its operations and financial condition, in accordance with acceptable sound accounting practices;

(d) MFI shall furnish to NSIFT, not later than six 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 NSIFT shall have reasonably requested;

(e) MFI shall on-lend to the Beneficiaries on terms and conditions set forth in paragraphs 3 and 4 of this Schedule;

(f) The principal amount of the Subloan shall be repaid by MFI to NSIFT in Tajik somoni to a special account set up by NSIFT for this purpose in equal semi-annual installments over ten (10) years including a grace period of two (2) years;

(g) The principal amount of the Subloan repayable by MFI to NSIFT shall be the

equivalent in Tajik somoni (determined as of the date, or respective dates, of withdrawal from the Credit Account or payment out of the Special Account) of the value of the currency or currencies withdrawn from the Credit Account in respect of Category (4) of the table set forth in paragraph 1 of the Schedule 1 to the Development Credit Agreement;

(h) Each Subloan shall be charged an annual interest rate of ten percent (10%) for the entire period of the Subloan; and

(i) Unless the Association otherwise agrees, Subloan shall not exceed the equivalent of \$250,000.

3. The terms and conditions of the Subsidiary Loan Agreements shall be reviewed and approved annually by NSIFT and the Association by December 31 in each year.

4. Subloans shall be used by MFIs for the purpose of on-lending to Beneficiaries on term and conditions whereby MFIs shall:

(i) appraise, supervise and carry out the activities by Beneficiaries in accordance with procedures satisfactory to MFIs and the Association;

(ii) require that: (i) the works, goods and services financed under on-lending to the Beneficiaries shall be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery, efficiency and reliability; and (ii) any such goods shall be used exclusively in the carrying out of the activities approved by MFIs;

(iii) require that each activity for which the on-lending was requested is: (i) technically feasible and economically, financially and commercially viable; and (ii) in compliance with all environmental laws and standards of the Borrower and the guidelines for environmental assessment agreed with the Association; and

(iv) require that the Beneficiaries contribute 10% of the cost of activities for which the on-lending was requested.

4. NSIFT and MFIs shall exercise their rights in relation to the Subloans in such manner as to protect their interests and the interests of the Borrower and the Association and to accomplish the purposes of the Credit.

