

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H179 TJ

Development Grant Agreement

(Ferghana Valley Water Resources Management Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 24 , 2005

Public Disclosure Authorized



GRANT NUMBER H179 TJ

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated September 24, 2005, between the REPUBLIC OF TAJIKISTAN (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Recipient, 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; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Grant to the Recipient 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 May 1, 2004), with the modifications set forth in Schedule 5 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

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) “CPSC” means the Central Project Steering Committee established by the Recipient’s Government for overall Project steering and coordination and referred to in Section 3.05 (b) of this Agreement.

(b) “Environmental Management Plan” means the Environmental Management Plan, satisfactory to the Association, setting forth the measures to be taken during the implementation of the Project to avoid or reduce adverse environmental impacts, and the actions needed to implement these measures, adopted by the Recipient on March 23, 2005 .

(c) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement.

(d) “MWR” means the Ministry of Melioration and Water Resources Management of the Recipient or any successor thereto.

(e) “PIU” means a project implementation unit established within the PMU and located in the Soghd Oblast and referred to in Section 3.05 (b) of this Agreement.

(f) “PMU” means the project management unit established in Dushanbe within the MMWRM for overall Project management and implementation and referred to in Section 5.02 (b) of this Agreement.

(g) “POM” means the Project Operational Manual to be adopted by the Recipient pursuant to Section 5.01 of this Agreement and which shall include the Financial Management Manual and the Procurement Manual.

(h) “Procurement Plan” means the Recipient’s procurement plan, dated March 17, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation.

(i) “Special Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement.

(j) “WUA” means a Water Users’ Association created pursuant to Article 22 of the Water Code of the Recipient.

ARTICLE II

The Financing

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement an amount in various currencies equivalent to eight million seven hundred thousand Special Drawing Rights (SDR 8,700,000) (the Grant).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant 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, works and services required for the Project and to be financed out of the proceeds of the Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account in a commercial 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 4 to this Agreement.

Section 2.03. The Closing Date shall be May 31, 2011 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

Section 2.04. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, such rate 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 Recipient from the Grant Account (as the case may be), or canceled; and (ii) at the respective 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 respective 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 Recipient; 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. Commitment charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.06. 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. The Recipient 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 the Project through the MMWRM with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, irrigation and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient 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 Recipient 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 Recipient on said plan.

Section 3.04. The Recipient 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 May 31, 2008, 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 September 30, 2008, 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.

Section 3.05. The Recipient shall take, or cause to be taken, all measures necessary to ensure that:

(a) the Project is implemented in accordance with the POM agreed with the Association and in full compliance with the provisions of the Environmental Management Plan and in a timely manner;

(b) the CPSC, PMU and PIU are maintained until completion of the Project with staff, resources and under terms of reference acceptable to the Association;

(c) starting not later than forty five (45) days after the first six (6) month from the Effective Date, the PMU will provide to the Association a written report of (a) the results of its monitoring and evaluation of the Project and (b) the status of the agreed performance monitoring indicators for the preceding six (6) months, and, thereafter, shall furnish to the Association not later than forty five (45) days after each subsequent semiannual period another report on the same matters which shall cover such semiannual period;

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

(e) no human settlements will be displaced as a result of Project activities, and any adverse impacts on vulnerable people of any other restrictions of access to land resulting from Project activities will be mitigated by Project investments directly benefiting the affected people.

Section 3.06. The Recipient shall:

(a) employ, not later than by January 1, 2006, a panel of independent experts who have not been previously involved with the investigation, design, construction, or operation of the dam and reservoir, under terms of reference and with qualifications satisfactory to the Association, with the purpose of reviewing and advising the Recipient on matters relative to the safety of the Kayrakum dam, reservoir dykes and other related structures;

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

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

(d) ensure that a detailed plan for the Kayrakum dam and reservoir operation, maintenance and emergency preparedness plan is prepared and implemented, all in a manner satisfactory to the Association.

ARTICLE IV

Financial Covenants

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

(b) The Recipient shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, 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 Grant Account were made on the basis of statements of expenditure, the Recipient shall:

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

- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in Sections 5.01 and 5.02 (c) of this Agreement the Recipient shall cause the PMU to 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 Grant, 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

Effectiveness; Termination

Section 5.01. The following event is specified as a condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the POM satisfactory to the Association has been adopted by the Recipient.

Section 5.02. 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 VI

Representative of the Recipient; Addresses

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

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

Facsimile:

(992-372) 213329

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)

Facsimile:

(202) 477-6391

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/ Safarali Najmuddinov

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Dennis de Tray

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Financing

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

| <u>Category</u> | <u>Amount of the Grant Allocated (Expressed in (SDR Equivalent))</u> | <u>% of Expenditures to be Financed</u> |
|---|--|---|
| (1) Works | 4,380,000 | 86% |
| (2) Goods | 2,125,000 | 100% |
| (3) Consultants' services, including training | 1,370,000 | 100% |
| (4) Operating costs | 155,000 | 100% |
| (5) Unallocated | <u>670,000</u> | |
| TOTAL | <u>8,700,000</u> | |

2. For the purposes of this Schedule:

(a) the term "training" means expenditures for Project related study tours, training courses, seminars, workshops and other training activities not included under goods or service providers' contracts, including costs of training materials, space and equipment rental, travel and per diem costs of trainees and trainers; and

(b) the term "operating costs" means incremental operating costs incurred by the MWR on account of Project implementation, management and monitoring, including the PMU and PIU staff salaries, office and equipment maintenance and repair, vehicle maintenance and repair, local travel, communication, translation and interpretation, bank charges, social charges, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Association.

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 Grant Account to be made on the basis of statements of expenditure for expenditures for all operating costs and training and for expenditures under contracts for goods, works and services not subject to the Association's Prior Review, as stipulated in the Procurement Plan, all under such terms and conditions as the Association shall specify by notice to the Recipient.

5. If the Association shall have determined at any time that any amount of the Grant was used in a manner inconsistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Association, refund to the Association for deposit into the Grant Account an amount equivalent to the amount so used.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to increase the capacity of productivity of irrigated agriculture in the Ferghana Valley by improving land and water management; and (ii) to improve Kayrakum dam and reservoir safety and regulation thereby contributing to enhanced water management security and efficiency at the basin level.

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

Part A: Irrigation and Drainage System Rehabilitation and Improvement

1. Rehabilitation and/or improvement of main off-farm irrigation and drainage, gravity and/or pumped water supply, conveyance, delivery, removal and evacuation infrastructure systems.
2. Rehabilitation and/or improvement of selected inter-farm and on-farm irrigation and drainage distribution and collection systems related to an area of 30,000 ha of farm land in the Kanibodom and Bobojon Gufarov raions of the Recipient.
3. Replacing and installation of tubewell pumps.
4. Rehabilitation and replacement of drainage and irrigation pumping stations.
5. Canal lining of selected sections of the Big Ferghana Canal.

Part B: Strengthening of Kayrakum Reservoir Dykes and Improvement of Kayrakum Dam Safety and Reservoir Operation

1. Strengthening of the Kayrakum reservoir dykes in Kanibodom and Bobojon Gufarov raions.
2. Provision of assistance to enhance operational performance and to improve management of the reservoir, and to improve safety of Kayrakum dam and to develop emergency procedures for the dam operation.

Part C: Institutional Development and Technical Assistance

Strengthening the Recipient's institutional capacity for: (i) establishment of water users associations; (ii) improving agricultural productivity and more efficient water use patterns; and (iii) implementation of proper environmental mitigating activities.

Part D: Project Management

Assistance with the establishment of the PMU and PIU and strengthening their capacity for the Project management, monitoring and evaluation, including audit, procurement, disbursement and financial management activities, through provision of goods, technical assistance, training and financing of their operating costs.

* * *

The Project is expected to be completed by November 30, 2010.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Works estimated to cost less than \$1,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions set forth in the Annex to this Schedule.

2. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Procurement of Small Works. Works estimated to cost less than \$50,000 equivalent per contract 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.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. If the Procurement Plan provides for prior review of contracts for the employment of individual consultants, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. All other contracts shall be subject to Post Review by the Association.

**ANNEX
to
SCHEDULE 3**

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

1. Works, for which Schedule 3 to this Agreement allows procurement under paragraphs 3.3 and 3.4 of the Guidelines, shall be procured in accordance with the provisions of the “Law on Public Procurement of Goods, Works and Services of the Republic of Tajikistan”, dated December 12, 1997 (“the Law”). These provisions, in order to ensure economy, efficiency, transparency, and broad consistency with the provisions included in Section I of the Guidelines (as required by paragraphs. 3.3 of the Guidelines), shall be modified as set forth in the following paragraphs.

Entity responsible for carrying out the procurement

2. The procurement shall be carried out by the “purchaser” (as defined in Art. 1 of the Law), without any involvement of the “Authorized Procurement Agency” (as referred to in Art. 9 of the Law).

Participation in bidding

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

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

Advertising: time for bid preparation

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

Standard bidding documents

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

Qualification criteria and evaluation criteria

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

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

Bid security

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

Bid submission and bid opening

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

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

Bid evaluation and award of contracts

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

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

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

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

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

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (2), (3) and (4) 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 Grant 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 \$400,000 to be withdrawn from the Grant 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 \$200,000 until the aggregate amount of withdrawals from the Grant 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 4,000,000.

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 Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient 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 Recipient 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 Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient 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 Grant 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 Recipient out of the Special Account, the Recipient 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 Recipient directly from the Grant 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 Recipient 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 Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories for the Special Account, 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 Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Recipient. 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 Recipient 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 Recipient 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 Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient 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 Grant Account, as the case may be, for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 5

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 6.05 and Article VII are deleted in their entirety.
2. Wherever used in the General Conditions, the following terms are modified to read as follows:
 - (a) The term “Borrower” is modified to read “Recipient”.
 - (b) The term “Credit” is modified to read “Grant”.
 - (c) The term “Credit Account” is modified to read “Grant Account”.
 - (d) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
3. Section 1.01 is modified to read as follows:

“Section 1.01. Application of General Conditions

These General Conditions set forth the terms and conditions generally applicable to the Development Grant Agreement to the extent and subject to any modifications set forth in such agreement.”
4. Paragraph 3 of Section 2.01 is modified to read as follows:

“3. “Recipient” means the party to the Development Grant Agreement to which the Grant is made.”
5. Article III is modified as follows:
 - (a) The heading of Article III is modified to read “Grant Account; Partial Payment”, and the heading of Section 3.04 is modified to read “Partial Payment”.
 - (b) The words “The principal of, and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Grant Agreement”.

6. Article IV is modified as follows:

(a) Section 4.02 (a) is modified to read as follows:

“Section 4.02. Currencies in which Payments are to be Made

(a) The Recipient shall pay all amounts required to be paid by it under the Development Grant Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

(b) Wherever used in Section 4.02 (c) and (e) of the General Conditions, the words “principal and service charges” are modified to read “amounts”.

(c) Section 4.03 is modified to read as follows:

“Section 4.03. Amount of the Grant

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

(d) Section 4.06 (b) is modified to read as follows:

“(b) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without restrictions of any kind imposed by, or in the territory of, the Recipient.”

7. Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. Treatment of Taxes

Except as otherwise provided in the Development Grant Agreement, the proceeds of the Grant may be withdrawn to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be financed under the Grant, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of

any item to be financed out of the proceeds of the Grant is excessive or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Grant Agreement as required to be consistent with such policy of the Association.”

8. Article VI is modified as follows:

- (a) The word “credit” in paragraphs (a) (ii) and (c) (i) of Section 6.02 is replaced with the words “credit, grant or financing”.
- (b) Section 6.03 (c) is modified by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

9. Section 8.01(a) is modified to read as follows:

“(a) All amounts which the Recipient shall be required to pay under the Development Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient.”

10. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”