

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H463 TJ

Financing Agreement

(Public Financial Management Modernization Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 27, 2009

Public Disclosure Authorized



GRANT NUMBER H463 TJ

FINANCING AGREEMENT

AGREEMENT dated May 27, 2009, entered into between REPUBLIC OF TAJIKISTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II – FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to three million four hundred thousand Special Drawing Rights (SDR 3,400,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are May 15 and November 15 in each year.
- 2.05. The Payment Currency is Dollars.

ARTICLE III - PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project through the Ministry of Finance in accordance with the provisions of Article IV of the General Conditions.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Recipient shall have prepared and approved a business plan for the IT Center, which includes an organizational chart, an action plan for the operationalization of the IT Center, and a salary structure, as satisfactory to the Association.
 - (b) The Recipient has approved a plan, satisfactory to the Association, for the retention and attraction of qualified key personnel involved in Project implementation.
 - (c) The EC/DFID Co-financing Agreement has been executed and delivered, and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
 - (d) The PHRD Co-financing Agreement has been executed and delivered, and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Minister of Finance.

6.02. The Recipient's Address is:

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

Facsimile:

(992-372) 213329

6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at Dushanbe, Republic of Tajikistan, as of the day and year first above written.

REPUBLIC OF TAJIKISTAN

By: /s/ Safarali Najmuddinov

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Chiara Bronchi

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (a) to establish basic processes for efficient and transparent management of public expenditures; and (b) to develop adequate institutional capacity to support the implementation and sustained functioning of an automated financial management information system.

The Project constitutes the first phase of the Program, and consists of the following parts:

Part 1: Building Capacity for Public Financial Management

Provision of goods, works, consulting services and training to: (i) build capacity within the Ministry of Finance and public financial management institutions to manage and monitor public financial management reforms; (ii) develop a new organizational structure for the Ministry of Finance, including setting clear roles and responsibilities for public financial management at the central level; (iii) designing and implementing a skills development program for staff of the Ministry of Finance and officials engaged in the public financial management process; and (iv) support Project management, including audits.

Part 2: Streamlining Core Budget Management Procedures

Provision of goods, consulting services and training to support: (i) improvement of budget planning and budget preparation; (ii) the implementation of an unified chart of accounts and improvement of the budget classification system; (iii) improvement of budget execution procedures; (iv) upgrade of the existing information services; (v) implementation of upgraded information systems; and (vi) improvement of public financial management legislation and associated regulations.

Part 3: Preparation for Automation of Core Public Financial Management Operations

Provision of goods, works, consulting services and training to: (i) support establishment and capacity building of the IT Center, including development of an information technology modernization plan, establishment of an information and communications technology (ICT) training facility and a feasibility study on establishing a common ICT network infrastructure; (ii) modernization and upgrade of ICT infrastructure of the MoF; (iii) support change management activities; and (iv) preparation of the technical requirements for introduction of financial management information system.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

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

1. The PFM Council shall have overall responsibility for strategic decision-making on public financial management reforms, including public financial management reform priorities, oversight of the PFM Strategy, and policy decisions on the nature, sequence and format of technical assistance supporting public financial management reforms.
2. The Recipient shall carry out the Project, through the MoF, in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the POM and the PIP and shall not assign, amend, abrogate or waive any provisions of the POM or the PIP without prior approval of the Association.
3. At all times during the implementation of the Project, the Recipient shall maintain the PGS with a composition, resources and terms of reference satisfactory to the Association.
4. The Recipient shall provide in-kind contributions sufficient to meet the recurrent costs of information and communication technology infrastructure including the country-wide information technology network, as well as supporting IT Center operations.
5. Not later than December 1 of each year, during the implementation of the Project, and starting from May 1, 2009, the Recipient shall submit to the Association, an Annual Work Plan for the following calendar year, and shall agree with the Association on activities to be undertaken under the Project in the following year and the related budget.
6. The Recipient shall submit for the Association's prior approval, the names, qualifications, experience and justification for selection of members of tender committees. Such tender committees shall include at least one specialist with the necessary qualifications and experience, as satisfactory to the Association.
7. Not later than January 1, 2011, the Recipient shall establish and make operational the IT Center and shall appoint a director of the IT Center, on terms and conditions satisfactory to the Association. The director of the IT Center will be part of the PGS.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

2. On or about December 31, 2011, the Recipient shall carry out jointly with the Association a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review). The Midterm Review shall cover, amongst other things:

- (a) progress made in meeting the Project's objective; and
- (b) overall Project performance against Project performance indicators.

3. The Recipient shall prepare at least four (4) weeks prior to the Midterm Review, and furnish to the Association, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

4. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

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

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

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

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Quality-based Selection
(b)	Least Cost Selection
(c)	Selection based on Consultants’ Qualifications
(d)	Single-source Selection
(e)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

	Amount of the Grant Allocated	Percentage of Expenditures to be Financed

Category	(expressed in SDR)	(inclusive of Taxes)
(1) Goods, Works, Consultants' Services, Operating Costs and Training for the Project, including Audit	3,090,000	100%
(2) Refund of Preparation Advance	310,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	<u>3,400,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is August 31, 2014.

**ANNEX
to
SCHEDULE 2**

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

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

Entity responsible for carrying out the procurement

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

Participation in bidding

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

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

Advertising: time for bid preparation

5. Invitations to bid shall be advertised in at least one 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 the Europe and Central Asia Region shall be used.

Qualification criteria and evaluation criteria

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

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

Bid security

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

Bid submission and bid opening

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

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

Bid evaluation and award of contracts

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

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

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

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

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

APPENDIX**Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “APST” means the administrative and procurement support team under the MoF responsible for financial management and procurement for the Project and which includes the following staff, whose qualifications and terms of reference shall be satisfactory to the Association: (i) a Project Coordinator; (ii) a Financial Manager; and (iii) a Procurement Specialist.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “EC/DFID Co-financing Agreement” means the agreement to be entered into between the World Bank and the Recipient pursuant to Section 5.01 (c) of this agreement, providing for a grant to be provided by the European Commission and the Department of International Development of the United Kingdom to assist in financing the Project.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
7. “IT Center” means the Center for Support of Inter-budgetary Financial Operations and Transactions, an information technology center to be established pursuant to Section 5.01(a) of this agreement.
8. “MoF” means the Ministry of Finance of the Recipient, and includes any successor or successors thereto.
9. “Operating Costs” means reasonable and necessary incremental expenditures related to the operation of the PGS, including on account of Project implementation, management, coordination, and monitoring and evaluation, as approved by the Association on the basis of budgets acceptable to the Association, which would not have been incurred absent the Project and include, *inter alia*, the costs of: (i) maintenance and operation of equipment and vehicles

procured or used for the management of the Project; (ii) salaries paid to staff hired for the purposes of the Project, other than civil servants' salaries; (iii) travel costs and *per diems*; (iv) consumable office supplies; (v) communication, printing and publications; (vi) costs of translation and interpretation; and (vii) bank charges.

10. "PFM Council" means the Recipient's Public Financial Management Council chaired by the Minister of Finance and responsible for strategic oversight and implementation of the Program.
11. "PFM Secretariat" means the secretariat of the PFM Council responsible for coordinating implementation of the Program.
12. "PGS" means the project governance structure under the MoF responsible for implementation of the Project, and referred to in paragraph 3 of Section I.A of Schedule 2 to this Agreement, which includes the following: (i) the project director; (ii) the head of the PFM Secretariat; (iii) the APST; (iv) activity leaders of the working groups; and (v) the director of the financial college of the MoF.
13. "PHRD Co-financing Agreement" means the agreement to be entered into between the World Bank and the Recipient pursuant to Section 5.01 (d) of this agreement, providing for a grant to be provided by the Japan Policy and Human Resources Development Fund to assist in financing the Project.
14. "PIP" means the Project Implementation Plan, adopted by the Recipient, March 16, 2009, and satisfactory to the Association, setting forth a plan of activities for the Project.
15. "Preparation Advance" means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on February 11, 2009, and on behalf of the Recipient on March 7, 2009.
16. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.
17. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 25, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
18. "Program" means the Recipient's Public Financial Management Strategy for 2009-2018 designed to improve the effectiveness and transparency of public

financial management, as set forth or referred to in Decree No. 634, dated March 20, 2009.

19. “Project Operational Manual” means the manual, adopted by the Recipient, on April 25, 2009, and satisfactory to the Association, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, including a manual of financial procedures, which shall document, *inter alia*, budgeting, flows of funds, audit, financial reporting, accounting and internal control procedures of the MoF, all consistent with the provisions of this Agreement and with the national laws and regulations of the Recipient, as the same may be amended and supplemented from time to time with the Association’s prior written approval.
20. “Training” means 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, *per diem* costs of trainees, trainers and trainers’ fees, and interpretation and translation services.

Section II. Modifications to the General Conditions

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

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

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

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

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility*. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any

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

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

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

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