Financing Agreement

(Second Public Employment for Sustainable Agriculture and Water Resources Management Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 5, 2013
GRANT NUMBER H823-TJ

FINANCING AGREEMENT

AGREEMENT dated February 5, 2013, entered into between the REPUBLIC OF TAJIKISTAN ("Recipient") and the 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 eleven million seven hundred thousand Special Drawing Rights (SDR 11,700,000) ("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 April 15 and October 15 in each year.

2.05. The Payment Currency is United States Dollars.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the PMU 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 — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) the GAFSP 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;

(b) the Recipient has adopted the Project Operational Manual, acceptable to the Association; and

(c) the Recipient has signed a contract for the procurement and installation of a computerized Monitoring Information System to fit the Project’s fiduciary and implementation needs.

4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.03. 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 V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Minister of Finance.
5.02. The Recipient’s Address is:

Ministry of Finance  
3, Akademicheskaya Street  
Dushanbe, 734025  
Republic of Tajikistan

Facsimile:  
(992-372) 213329

5.03. The Association’s Address is:  
International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433

United States of America

Cable: INDEVAS  Telex: 248423 (MCI)  Facsimile: 1-202-477-6391
Washington, D.C.

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

REPUBLIC OF TAJIKISTAN

By

Authorized Representative

Name: Sadarali Najmiddinov  
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Marsha H Olive  
Title: Country Manager
SCHEDULE 1

Project Description

The objectives of the Project are to: (i) provide employment to food-insecure people through the rehabilitation of irrigation and drainage infrastructure; (ii) increase crop production in response to improved irrigation and drainage infrastructure; and (iii) support the development of improved policies and institutions for water resource management, as a means to improve food availability and food access for low-income people in poor rural areas supported by the project.

The Project consists of the following parts:

Part A: Generation of Employment and Rehabilitation of Irrigation and Drainage Infrastructure

1. Creating short term employment for renovating and rehabilitating on-farm irrigation canals in areas with food insecurity and the provision of equipment.

2. Carrying out works for renovating off-farm drainage infrastructure, purchasing and installing irrigation gates, repairing irrigation canals and structure, pipeline networks, key pump stations, and vertical drainage wells, as well as provision of equipment.

3. Emergency restoration works of flood channel that passes through Kulyab city, including detailed engineering planning and design study.

Part B: Assistance in Water Resource Management, including Technical Assistance for Policy and Institutional Reform

1. Developing the legal framework for integrated water resource management and water sector reform, strengthening the ministry responsible for water resources, preparing an integrated water resource management strategy, and establishing a water resources information center, through the provision of technical assistance and Training.

2. Implementing river basin management in the Kafernigan river basin through the provision of technical assistance and Training.

3. Establishing independent, financially-autonomous irrigation and drainage service providers responsible for the management and maintenance of off-farm irrigation and drainage infrastructure and for water delivery to water user associations, rehabilitating selected irrigation and drainage infrastructure for sustainable water resources management, supporting the transformation of existing regional and district-level institutions into the new institutional framework, and establishing and strengthening water user associations, through the provision of technical assistance, goods, works and Training.
Part C: Project Implementation

Strengthening of capacity of the PMU for project management, implementation, monitoring and evaluation, including the development and maintenance of a monitoring and evaluation system, audit, procurement, and disbursement and financial management activities, through the provision of technical assistance and goods and the financing of Training and Incremental Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through the PMU, shall carry out the Project in a timely manner in accordance with the Project Operational Manual and the GEMP, and apply and implement, as the case may be, the actions, criteria, policies, procedures and arrangements therein set forth.

2. The Recipient shall not amend or waive, or permit to be amended or waived, the Project Operational Manual or the GEMP, except with the prior written approval of the Association.

3. At all times during the implementation of the Project, the Recipient shall maintain the PMU with a composition, resources and terms of reference satisfactory to the Association.

4. By not later than one (1) month after the Effective Date, the Recipient, through the PMU, shall prepare and send to the Association for review, an annual work plan and budget for the Project. Thereafter, the Recipient, through the PMU, shall, not later than December 15 of each year during the implementation of the Project, submit to the Association an annual work plan and budget for the following calendar year, and shall agree with the Association on activities to be taken under the Project in the following calendar year and the related budget.

5. By not later than two (2) months after the Effective Date, the Recipient, through the PMU, shall update the computerized accounting system at the PMU to generate consolidated financial statements.

6. For the purposes of Part A of the Project, the Recipient, through the PMU, shall ensure that the irrigation schemes and drainage infrastructure to be rehabilitated will be selected according to criteria set forth in the Project Operational Manual.

7. For the purposes of Part A(1) of the Project, the Recipient, through the PMU, shall ensure that the beneficiaries to be employed under this sub-component will be selected according to criteria set forth in the Project Operational Manual.
B. **Anti-Corruption**

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

C. **Safeguards**

1. The Recipient, through the PMU, shall take all measures necessary and identified under the GEMP at all times in a timely manner, ensuring that adequate information on the implementation of said measures is suitably included in the Project progress reports to be prepared pursuant to the provisions of Section II.A of this Schedule.

2. For the purposes of Part A of the Project, the Recipient, through the PMU, shall prepare and submit to the Association, prior to the issuance of any bidding documents for works contracts at sites requiring a site-specific EMP in accordance with the GEMP:
   
   (a) the proposed design and site for said works and the related site-specific EMP in form and substance satisfactory to the Association; and
   
   (b) the draft contract for said works to ensure that the provisions of said site-specific EMP are adequately included in said contract.

3. For the purposes of Part A of the Project, the Recipient, through the PMU, shall ensure the complete implementation of the site-specific EMPs in a manner acceptable to the Association, including all necessary measures to minimize and to mitigate any adverse environmental impacts caused by the implementation of the Project.

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

A. **Project Reports**

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 acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

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 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. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period. The Association will publish the audit reports in accordance with its Access to Information Policy.

**Section III. Procurement**

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

   (a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2;
(b) Shopping;
(c) Direct Contracting; and
(d) Community Participation procedures which have been found acceptable to the Association.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan:

(a) Quality-based Selection;
(b) Least Cost Selection;
(c) Selection under a Fixed Budget;
(d) Selection based on Consultants' Qualifications;
(e) Single-source Selection of consulting firms;
(f) Selection of Individual Consultants; and
(g) Single-source 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works under Part A(1) of the Project</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(2) Works under Part A(2) of the Project</td>
<td>5,930,000</td>
<td>50%</td>
</tr>
<tr>
<td>(3) Works under Part A(3) of the Project</td>
<td>1,850,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, non-consulting services, and consultants’ services under the Project</td>
<td>3,180,000</td>
<td>40%</td>
</tr>
<tr>
<td>(5) Works under Part B and Training</td>
<td>740,000</td>
<td>50%</td>
</tr>
<tr>
<td>(6) Incremental Operating Costs</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>11,700,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

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 February 28, 2018.
ANNEX TO SCHEDULE 2

The procurement procedure to be followed for National Competitive Bidding shall be the tendering with unlimited participation procurement method set forth in Law #168, the Law of the Republic of Tajikistan on “Public Procurement of Goods, Works and Services,” dated March 3, 2006 (as amended by Law #815, the Law of the Republic of Tajikistan on “Introduction of Amendments and Additions to the Law of the Republic of Tajikistan on ‘Public Procurement of Goods, Works and Services’” dated April 16, 2012) (“the PPL”); provided, however, that such procedure shall be subject to: (a) the provisions of Section I and paragraphs 3.3 and 3.4 of the Procurement Guidelines (as required by paragraph 3.3 of the Guidelines) and (b) the following paragraphs:

Participation in bidding

1. **Eligibility:** Eligibility of bidders to participate in a procurement process and to be awarded an Association-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines.

2. **Domestic Preference:** No domestic preference may be applied in bid evaluation on the basis of bidder nationality, the origin of goods, services or labor, and/or preferential programs.

3. **Bidding Documents:** Procuring entities shall use the appropriate standard bidding documents acceptable to the Association, which documents shall be prepared so as to ensure economy, economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines. 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.

4. **Bid Validity:** The bid validity period required by the bidding documents shall be sufficient to account for any period that may be required for the approval and registration of the contract as contemplated in the PPL. An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation, award a contract, and/or complete the registration process. No further extensions shall be requested without the prior written concurrence of the Association.

5. **Qualification:** Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed
on a “pass or fail” basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (iii) capability of construction and/or manufacturing facilities.

Prequalification procedures and documents acceptable to the Association shall be used for large, complex and/or specialized works contracts. Verification of the information upon which a bidder was prequalified, including current commitments and the bidder’s capability with respect to personnel and equipment, shall be carried out at the time of contract award. In the procurement of goods and works where prequalification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.

6. Guarantees: Guarantees shall be in the format specified in the bidding documents. The bid guarantee shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested.

7. Bid Submission and Bid Opening: Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids may be delivered by mail or by hand. Bids shall be opened in public immediately after the deadline for their submission. The minutes of bid opening shall be signed by the members of the bidding committee immediately after bid opening. A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids, and to the Association with respect to contracts subject to the Association’s prior review. No bids shall be rejected at bid opening.

8. Bid Evaluation and Award of Contracts: 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 bidders are notified of the contract award.

Evaluation criteria shall be clearly specified in the bidding documents. Evaluation of bids shall be made in strict adherence to the criteria specified in the bidding documents. All bid evaluation criteria other than price shall be quantifiable in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation. Bidders shall not be eliminated on the basis of minor, nonmaterial deviations. Contracts shall be awarded to the qualified bidder whose bid has
been determined: (i) to be substantially responsive to the bidding documents; and (ii) to offer the lowest-evaluated cost.

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.

9. Cost Estimates: Cost estimates shall be confidential and shall not be disclosed to prospective bidders. No bids shall be rejected on the basis of comparison with the cost estimates and/or budget ceiling without the Association’s prior written concurrence.

10. Rejection of Bids and Re-bidding: No bids shall be rejected solely because they fall outside a pre-determined margin or “bracket” of prices. All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association’s prior written concurrence.

11. Contract Modifications: With respect to contracts subject to the Association’s prior review, the Recipient shall obtain the Association’s no objection before agreeing to: (i) a material extension of the stipulated time for performance of a contract; (ii) any substantial modification of the contract scope of services or other significant changes to the terms and conditions of the contract; (iii) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (iv) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.

12. Fraud and Corruption: The bidding documents and contract as deemed acceptable by the Association shall include provisions stating the Association’s policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

13. Inspection and Audit Rights: In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association’s inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.
APPENDIX

Definitions


2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. "EMP" means a site-specific Environmental Management Plan, as required by the GEMP and satisfactory to the Association, in respect of activities to be undertaken under the Project at a specific site and defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of said activities, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with the Association’s prior written approval.

5. "GAFSP Agreement" means the agreement of even date between the Recipient and the International Bank for Reconstruction and Development, acting in its capacity as trustee of the Global Agriculture and Food Security Program (GAFSP) Multi Donor Trust Fund, providing for a grant in an amount of U.S. $27,900,000 to assist in the financing of this Project (TF No. 010639).

6. "GEMP" means the Generic Environmental Management Plan adopted by the Recipient, disclosed in the Association’s Infoshop on September 13, 2012, and satisfactory to the Association, in respect of activities to be undertaken under the Project defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities under the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with the Association’s prior written approval.

7. "Governance and Accountability Action Plan" means the action plan for the Project to be prepared by the Recipient and included in the Project Operational Manual, as the same may be amended from time to time.

9. "Incremental Operating Costs" means incremental operating costs incurred by the PMU, as appropriate, on account of Project implementation, management and monitoring, including salaries of PMU staff who are not civil servants, office and equipment maintenance and repair, vehicle maintenance and repair, local travel, communication, translation and interpretation, bank charges, social charges, the costs of audits for the PMU, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Association, but excluding salaries of staff of the Recipient's civil service and payments made to beneficiaries employed under Part A(1) of the Project.

10. "PMU" means the project management unit established pursuant to the Decree of the Government of the Republic of Tajikistan No. 493 of December 27, 2005, or any successor thereto.


12. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated October 5, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

13. "Project Operational Manual" means the Project’s operational manual, satisfactory to the Association, referred to in Section 5.01(a) of this Agreement, and setting out the operational and administrative procedures for the implementation of the Project, which shall include a financial management manual and chart of accounts for the Project, as the same may be amended from time to time by agreement between the Association and the Recipient.

14. "Training" means expenditures for the Project related to 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.