GRANT NUMBER H771-TJ

Financing Agreement

(Private Sector Competitiveness Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 2, 2012
GRANT NUMBER H771-TJ

FINANCING AGREEMENT

AGREEMENT dated June 8, 2012, 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 six million five hundred thousand Special Drawing Rights (SDR 6,500,000) ("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 Dollar.
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 and cause the Project to be carried out by the Project Implementing Entity 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:

(a) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project.

4.02. The Additional Event of Acceleration consists of the following:

(a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Recipient shall have caused the Project Implementing Entity to adopt the Project Operational Manual, satisfactory to the Association;

(b) The Recipient shall have caused the Project Implementing Entity to procure, install, and train the PMU's financial management and disbursement staff on the effective use of, an automated accounting system, satisfactory to the Association, that will be utilized by the PMU for project accounting, budgeting and reporting. The accounting system shall have inbuilt controls to ensure data security, integrity and
reliability, and the functionality of automatic generation of interim unaudited financial reports; and

(c) The Recipient shall have caused the Project Implementing Entity to recruit a full-time paid financial management consultant, satisfactory to the Association, to support the finance staff of the Project Implementing Entity and be responsible for project financial management and disbursement functions.

(d) The Recipient shall have established, in form, substance, and organizational criteria satisfactory to the Association, the Project Steering Committee, which shall be comprised of representatives of key stakeholders.

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 Recipient’s 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 or
(992-372) 221-6796
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 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

[Signature]

Authorized Representative

Name: Safarali Najyiddinov

Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Marshia M. Oliver

Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to remove key constraints to business development and investment by: (i) simplifying business registration and construction permitting processes; (ii) improving regulations and infrastructure underlying access to financial services; and (iii) encouraging development of the mining industry, where Tajikistan has a competitive advantage.

The Project consists of the following parts:

Part 1 Strengthening the Business Environment

Improving the business environment in three reform areas: starting a business, obtaining construction permits, and improving financial regulatory and information technology infrastructure. This will include the following activities:

1a. Completion of establishment of an online one-stop-shop for business registration. Facilitating the process of starting a business through the provision of technical assistance and information technology support for (i) improvement of the current business registration system by enabling a one-stop-shop approach available either in person or on-line; (ii) implementation of a system based on unique business identifier number; (iii) institutional and regulatory reform to facilitate business registration over the Internet; and (iv) implementation of the internet-based business registration system.

1b. Improvement of the regulatory framework for provision of construction permits, and establishment of a single window for processing construction permits and inspections. Facilitating applications for construction permits and inspections in Dushanbe by enabling a single window approach, through the provision of technical assistance and information technology support for (i) determining the optimal location of the single window, and making hosting arrangements with a hosting agency; (ii) implementation of the necessary regulatory reform for processing the construction permits and inspections, including for the establishment of the single window; (iii) establishment of the necessary IT systems for effective functioning of the single window for construction permits and inspections; and

1c. Improvement of the financial infrastructure. Strengthening the banking regulation and supervision framework through the provision of technical assistance and information technology support for:
(i) Enhancement of the secured transactions and debt resolution legal and regulatory framework, and IT system, including (a) harmonizing the secured transactions law with the legal framework; (b) upgrading moveable collateral registry system; and (c) strengthening the capacity of those using the moveable collateral registry system, through technical assistance, training, and information technology support;

(ii) Modernization of the payment systems infrastructure, through (a) introduction of an automated transfer system in order to enable the banking sector to manage liquidity more effectively; (b) establishment of a module of financial instruments for interbank transactions in order to enable mitigation of risk in securities transactions; and (c) strengthening the regulations governing the national payments system; and

(iii) Strengthening bank regulation and supervision, through (a) review and revision of legislation and regulations of the National Bank of Tajikistan; and (b) upgrading the IT system of the National Bank of Tajikistan for bank supervision.

Part 2  Encouraging the Development of the Mining Industry

Developing an environment conducive to business in the mining sector through the following activities:

2a.  Supporting the preparation of revised mining sector laws and regulations through technical assistance and capacity building activities;

2b.  Developing a modern mining cadastre and building capacity regarding said cadastre through the provision of technical assistance, training, and equipment;

2c.  Modernizing the geological survey function through technical assistance, training, and equipment; and

2d.  Providing technical assistance to stakeholders concerning development of the mining sector through workshops and training.

Part 3  Project Management

Support the operation of the PMU, including establishing a monitoring and evaluation framework for the Project, through the provision of technical assistance, Training, and Incremental Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall implement the Project through the Project Implementing Entity.

2. The Recipient shall ensure that the Project Implementing Entity maintains the PMU, with a composition and terms of reference satisfactory to the Association, which shall be responsible for the day-to-day management and supervision of the Project, overall Project coordination and the performance of all fiduciary functions for the Project.

3. The Recipient shall cause the Project to be implemented by the Project Implementing Entity in accordance with the provisions of the Project Operational Manual. Except as the Association shall otherwise agree, the Recipient shall not, and shall cause the Project Implementing Entity to not, amend or waive any provision of the Project Operational Manual, if, in the opinion of the Association, such amendment or waiver may materially or adversely affect the carrying out of the Project or the achievement of the Project objectives.

4. (a) The Recipient shall maintain the Project Steering Committee, with a composition, resources, and terms of reference satisfactory to the Association.

(b) The scope of work of the Project Steering Committee shall include: (i) strategic guidance for overall project implementation; (ii) development and approval of annual plans for project activities, project budget, and procurement plan; (iii) coordination and consensus building on key policy issues related to implementation; and (iv) monitoring of broad issues related to implementation of reforms.

(c) The Recipient shall ensure that each governmental body involved in the implementation of the Project shall appoint a Project Coordinator, who will be responsible for defining the tasks applicable to his or her governmental body, for preparing technical terms of reference for contracting needs, and for coordinating with the PMU.
B. Safeguards

No later than two years from the Effective Date, the Recipient, through the Project Implementing Entity, shall submit to the Association a strategic environmental and social assessment, based upon terms of references satisfactory to the Association, to investigate the effects of the anticipated changes in regulatory practices in the mining sector and to recommend enhancements to the effectiveness of the environmental compliance regime in said sector.

C. 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

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 (6) months after the end of such period. The Recipient shall disclose the audited financial statements in a manner acceptable to the Association. Following the Association’s receipt of the audited financial statements from the Recipient, the Association will make them available to the public in accordance with the World Bank Policy on Access to Information.
Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods 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 and Non-consulting Services

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

2. Other Methods of Procurement of Goods, and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods 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; and
   (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 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) Selection under a Fixed Budget;
(c) Least Cost Selection;
(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 Grant 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 (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants' services, and Training under Part 1 of the Project</td>
<td>4,110,000</td>
<td>100%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Grant Allocated (expressed in SDR)</td>
<td>Percentage of Expenditures to be Financed (exclusive of Taxes)</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants’ services, and Training under Part 2 of the Project</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, non-consulting services, consultants’ services, Training, and Incremental Operating Expenses under Part 3 of the Project</td>
<td>390,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>6,500,00</td>
<td></td>
</tr>
</tbody>
</table>

For 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 “Incremental Operating Costs” means incremental operating expenditures incurred by the Project Implementing Entity on account of Project management and implementation, communications, utilities, printing and publications, office rent, maintenance and supplies, office security systems, vehicle operation and maintenance, and transportation and field trip expenses, as well as such other expenditures as may be agreed upon by the Association, but excluding salaries of staff of the Recipient’s civil service and the Project Implementing Entity.

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 December 31, 2016.
ANNEX
to
SCHEDULE 2

National competitive bidding procedures of the Recipient may be used for procurement of goods and non-consulting services under the Project provided that the following provisions are complied with:

1. Goods and non-consulting services, 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 Procurement Guidelines (as required by paragraphs 3.3 of the Procurement Guidelines), shall be applied 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 thirty (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. 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


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


6. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 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.

7. “Project Implementing Entity” means the State Committee for Investment and State Property of the Recipient (“SCISPM”), or any successor or successors thereto.

8. “Project Implementing Entity’s Legislation” means the legislation establishing and governing the State Committee for Investment and State Property of the Recipient.

9. “Project Operational Manual” means the project operational manual for the Project, approved and adopted by the Project Implementing Entity, setting forth principles and procedures governing the implementation of the Project, including a manual of financial procedures, 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.
10. “Project Management Unit” or “PMU” means the unit within SCISPM responsible for the day-to-day implementation of the Project.