Development Financing Agreement

(Energy Loss Reduction Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 8, 2005
DEVELOPMENT FINANCING AGREEMENT

AGREEMENT, dated September 8, 2005, between the REPUBLIC OF TAJIKISTAN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received from the Borrower a letter dated March 18, 2005, describing policy, investment, social protection and institutional reforms designed to promote the development of the Borrower’s energy sector (the Strategy), and declaring the Borrower’s commitment to the implementation of the Strategy;

(B) the Borrower, 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;

(C) Parts A and C.2 of the Project will be carried out by Barki Tajik (as defined hereinafter), and Parts B and C.3 of the Project will be carried out by Tajik Gas (as defined hereinafter), all with the Borrower’s assistance and, as part of such assistance, the Borrower will make available to Barki Tajik and Tajik Gas the proceeds of the Credit and part of the proceeds of the Grant as provided for in Article III of this Agreement;

(D) the Borrower and the Association intend, to the extent practicable, that the proceeds of the Grant be disbursed on account of expenditures in respect of consultants’ services under the Project and be disbursed before disbursements of the proceeds of the Credit are made;

(E) the Borrower intends to contract from the Swiss Government’s Secretariat for Economic Cooperation (SECO) a grant in an amount equivalent to eight million Dollars ($8,000,000) to assist in financing part of the Project on terms and conditions set forth in an agreement to be entered into between the Borrower and SECO (the SECO Grant Agreement); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit and the Grant to the Borrower upon the terms and conditions set forth in this Agreement, the BT Project Agreement (as defined hereinafter), and in the TG Project Agreement (as defined hereinafter);

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 4 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) “Barki Tajik” means an open joint stock holding company established by the Borrower’s Government Decree No. 492 dated November 11, 2001, and registered with the State Notary Office of the Frunzensky district of the city of Dushanbe, Republic of Tajikistan, on November 30, 2001 (registration No. P/H 18p - 150) or any successor or successors thereto;

(b) “BT Project Agreement” means the agreement between the Association and Barki Tajik of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Barki Tajik Project Agreement;

(c) “BT Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and Barki Tajik pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time;

(d) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of the Project Agreement;

(e) “Procurement Plan” means the Borrower’s procurement plan, dated May 23, 2005, covering the Project implementation period, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover the remaining period of Project implementation;

(f) “Subsidiary Loan Agreements” means, collectively, the BT Subsidiary Loan Agreement and the TG Subsidiary Loan Agreement;

(g) “Tajik Gas” means a state unitary enterprise established by the Borrower’s Government Decree No. 91, dated March 4, 2002, and registered with the State Notary Office of the Frunzensky district of the city of Dushanbe, Republic of Tajikistan on April 30, 2002 (registration No. 4x – 45), or any successor or successors thereto;
(h) “TG Project Agreement” means the agreement between the Association and Tajik Gas of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Tajik Gas Project Agreement; and

(i) “TG Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and Tajik Gas pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time.

ARTICLE II

The Financing

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions set forth or referred to in this Agreement:

(a) an amount in various currencies equivalent to ten million Special Drawing Rights (SDR 10,000,000) (the Credit); and

(b) an amount in various currencies equivalent to two million Special Drawing Rights (SDR 2,000,000) (the Grant).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account and 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 Financing.

Section 2.03. The Closing Date shall be June 30, 2012, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association: (i) a commitment charge on the principal amount of the Credit 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; and (ii) 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) Each commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or 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) Each 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 Borrower; 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. The Borrower shall pay to the Association a service charge at the
rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the
Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable
semiannually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall
repay the principal amount of the Credit in semiannual installments payable on each
March 15 and September 15 commencing September 15, 2015, and ending March 15,
2045. Each installment to and including the installment payable on March 15, 2025 shall
be one percent (1%) of such principal amount, and each installment thereafter shall be
two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower’s per capita gross national product (GNP), as
determined by the Association, shall have exceeded for three consecutive years the level
established annually by the Association for determining eligibility to access the
Association’s resources; and (ii) the Bank shall consider the Borrower creditworthy for
Bank lending, the Association may, subsequent to the review and approval thereof by the
Executive Directors of the Association and after due consideration by them of the
development of the Borrower’s economy, modify the repayment of installments under
paragraph (a) above by:

(A) requiring the Borrower to repay twice the amount of each such
installment not yet due until the principal amount of the Credit
shall have been repaid; and

(B) requiring the Borrower to commence repayment of the principal
amount of the Credit as of the first semiannual payment date
referred to in paragraph (a) above falling six months or more
after the date on which the Association notifies the Borrower that
the events set out in this paragraph (b) have occurred, provided,
however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower’s economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment of the Credit to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Minister of Energy of the Borrower, and any person whom he or she shall designate in writing, is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall implement Part C.1 of the Project and shall cause Barki Tajik and Tajik Gas to perform, in accordance with the provisions of the BT Project Agreement and TG Project Agreement, respectively, all the obligations of Barki Tajik and Tajik Gas therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Barki Tajik and Tajik Gas to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) For the purposes of Parts A and C.2 of the Project, the Borrower shall relend a portion of the proceeds of the Credit and the Grant allocated to Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement to Barki Tajik under a Subsidiary Loan Agreement to be entered between the Borrower and Barki Tajik, under
terms and conditions which shall have been approved by the Association, which shall include the principal terms and conditions specified in paragraph (d) of this Section.

(c) For the purposes of Parts B and C.3 of the Project, the Borrower shall relend a portion of the proceeds of the Credit and the Grant allocated to Category (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement to Tajik Gas under a Subsidiary Loan Agreement entered between the Borrower and Tajik Gas, under terms and conditions which shall have been approved by the Association, which shall include the principal terms and conditions specified in paragraph (d) of this Section.

(d) The principal terms and conditions of the Subsidiary Loan Agreements shall be as follows: (i) the terms of each Subsidiary Loan shall be twenty (20) years including a grace period of five (5) years; (ii) interest on the amount of the BT Subsidiary Loan withdrawn and outstanding from time to time from Category (1), and on the amount of the TG Subsidiary Loan withdrawn and outstanding from time to time from Categories (2) shall be at a rate of six (6%) percent per annum; (iii) each Subsidiary Loan shall be denominated in Dollars; and (iv) the principal amount of the Subsidiary Loans repayable to the Borrower shall be the equivalent in Dollars of the amount of the Subsidiary Loans withdrawn and outstanding and such equivalent to be expressed as of the date of the respective dates of withdrawal from the Credit and the Grant on account of expenditures incurred by Barki Tajik and Tajik Gas, respectively.

(e) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and the Grant, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provision thereof.

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 Credit and 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 Borrower shall ensure that the Procurement Plan is updated in accordance with guidelines acceptable to the Association, and such update is furnished to the Association not later than twelve (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 Borrower 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 Borrower and the Association, a plan for the future operation of the Project; and
(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. (a) The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A and C.2 of the Project shall be carried out by Barki Tajik pursuant to Section 2.03 of the BT Project Agreement.

(b) The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts B and C.3 of the Project shall be carried out by Tajik Gas pursuant to Section 2.03 of the TG Project Agreement.

Section 3.05. Without limitation upon the provisions of Section 3.01 and except as the Borrower and the Association shall otherwise agree, the Borrower shall ensure that the Strategy is carried out in a timely and effective manner, which shall include but not be limited to the following:

(a) ensure that all state owned enterprises and budget organizations shall pay in full their electricity and gas obligations to Barki Tajik and Tajik Gas, respectively, within thirty (30) days of being billed by Barki Tajik and Tajik Gas; and

(b) take all actions necessary on its part, including but not limited to, tariff increases, and measures to improve collections from all categories of consumers, to enable Barki Tajik and Tajik Gas to finance a minimum of thirty (30%) percent of their respective annual capital expenditures as defined in Section 4.03 of the BT Project Agreement and in Section 4.03 of the TG Project Agreement.

Section 3.06. The Borrower shall not take any actions to modify the legal character, ownership, control, or structure of Barki Tajik and Tajik Gas which might adversely affect the implementation of the Project without a prior consent of the Association.

Section 3.07. The Borrower shall and shall cause Barki Tajik and Tajik Gas to:

(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 March 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 June 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.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower 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 Borrower 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.
Section 4.02. (a) The Borrower shall cause Barki Tajik and Tajik Gas 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 Financing, 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 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 quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent quarter, and shall cover such quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) Barki Tajik or Tajik Gas shall have failed to perform any of their obligations under the BT Project Agreement and TG Project Agreement, respectively;

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that Barki Tajik or Tajik Gas will be able to perform its obligations under the BT Project Agreement and TG project Agreement, respectively; and

(c) The SECO Grant Agreement shall have failed to become effective by July 1, 2006, or such later date as the Association may agree; provided, however, that the provisions of this paragraph (c) shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.
Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, that any event specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Subsidiary Loan Agreements have been executed on behalf of the Borrower and Barki Tajik, and on behalf of the Borrower and Tajik Gas, respectively.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the BT Project Agreement has been duly authorized or ratified by Barki Tajik and is legally binding upon Barki Tajik in accordance with its terms;

(b) that the TG Project Agreement has been duly authorized or ratified by Tajik Gas and is legally binding upon Tajik Gas in accordance with its terms; and

(c) that the Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower, Barki Tajik and Tajik Gas, and are legally binding upon the Borrower, Barki Tajik and Tajik Gas in accordance with their terms.

Section 6.03. 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 VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:
For the Borrower:

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: Telex: Facsimile:

INDEVAS 248423 (MCI) or (202) 477-6391
Washington, D.C. 64145 (MCI)
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in 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/ Cevdet A. Denizer

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 Financing, the allocation of the amounts of the Credit and the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>Amount of the Grant Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, and consultants’ services for Parts A and C.2 of the Project</td>
<td>5,500,000</td>
<td>860,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, and consultants’ services for Parts B and C.3 of the Project</td>
<td>4,500,000</td>
<td>600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services for Part C.1 of the Project</td>
<td>540,000</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10,000,000</td>
<td>2,000,000</td>
<td></td>
</tr>
</tbody>
</table>

2. 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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 200,000, may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after January 1, 2005.
SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in the reduction of commercial losses in the electricity and gas sectors, and to lay the foundation for the improvement of the financial viability of the electricity and gas utilities, in a socially responsible manner.

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

Part A: Electricity Component

1. Supply and installation of approximately 160,000 electricity meters and related equipment and materials for all consumers in the Dushanbe Electricity Network.

2. Design, supply and installation of automated billing systems for the Dushanbe Electricity Network.

Part B: Gas Component

1. Supply and installation of approximately 160,000 gas meters and related materials to complete Tajik Gas’ gas metering program.

2. Supply and installation of laboratories for gas meter calibration, testing and quality control.

3. Design, supply and installation of automated billing systems for Tajik Gas.

Part C: Technical Assistance

1. Assistance to the Borrower for: (a) the implementation of electricity and gas tariff policies; (b) implementation of social protection policies for energy reforms; (c) monitoring and evaluation of performance of the Barki Tajik and Tajik Gas; and (d) streamlining the interaction between energy consumers and the Borrower’s agencies involved in technical and economic regulation of energy supply.

2. Assistance to Barki Tajik for: (a) engineering, management and supervision of Part A of the Project; (b) implementation of a financial management improvement program, and independent auditing; (c) development and establishment of an industry-standard electricity exports contract; and (d) financial and legal advisory services for the development of new hydro electric projects aimed at electricity exports.
3. Assistance to Tajik Gas for: (a) engineering, management and supervision of Part B of the Project; (b) implementation of a financial management improvement program and independent auditing; and (c) development and establishment of an industry-standard gas imports agreement.

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The Project is expected to be completed by December 31, 2011.
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 for 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 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 Bank 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 Borrower and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. Limited International Bidding. Goods which the Association agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

2. National Competitive Bidding. Goods estimated to cost less than $200,000 equivalent per contract and works estimated to cost less than $500,000 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.

3. Shopping. Goods and works estimated to cost less than $100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.
4. **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.

**Section III. Particular Methods of Procurement of Consultants’ Services**

1. **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 $50,000 equivalent per contract may comprise entirely national consultants.

2. **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, subject to prior approval by the Association.

**Section IV. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.
National competitive bidding procedures of the Borrower may be used for procurement of works under the Project provided that the following provisions are complied with:

1. Goods and works, for which Schedule 1 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 Borrower’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

Modifications to the General Conditions

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

1. Section 1.01 is modified to read:

   “Section 1.01. Application of General Conditions

   These General Conditions set forth the terms and conditions generally applicable to the Development Financing Agreement to the extent and subject to any modifications set forth in such agreement.

2. Section 2.01 is modified to read as follows:

   (a) Paragraph 3 of Section 2.01 is modified to read as follows:

       “3. “Borrower” means the party to the Development Financing Agreement to which the Financing is made.”

   (b) Paragraph 8 of Section 2.01 is modified to read as follows:

       “8. “Development Financing Agreement” means the particular Development Financing Agreement to which these General Conditions apply, as such agreement may be amended from time to time. Development Financing Agreement includes these General Conditions as applied thereto, and all schedules and agreements supplemental to the Development Financing Agreement.”

   (c) The following new paragraphs are added after paragraph 11 of Section 2.01, and paragraphs 12 through 14 are renumbered as paragraphs 16 through 18 accordingly:

       “12. “Grant” means the development grant provided for in the Development Financing Agreement.”

       “13. “Grant Account” means the account opened by the Association on its books in the name of the Borrower to which the amount of the Grant is credited.”

       “14. “Financing” means, collectively, the Credit and the Grant.”
“15. “Financing Accounts” means, collectively, the Credit Account and the Grant Account (or, where the context so requires, either of the Credit Account or the Grant Account).”

3. The term “Credit”, wherever used in the following Articles and Sections of the General Conditions, is modified to read “Financing”: Sections 2.01(3), 2.01(12), 4.01, Article V, Article VI (excluding Section 6.05), Section 7.01(d), Article VIII, and Article IX.

4. The term “Credit Account”, wherever used in the following Articles and Sections of the General Conditions, is modified to read “Financing Accounts”: Section 2.01(6), the heading of Article III, 4.01, Article V, Article VI, and Section 12.03.

5. The term “Development Credit Agreement”, wherever used in the General Conditions, is modified to read “Development Financing Agreement”.

6. Article III is modified as follows:

(a) Section 3.01 is modified to read as follows:

“Section 3.01. Financing Accounts

The amount of the Credit shall be credited to the Credit Account and may be withdrawn from the Credit Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions. The amount of the Grant shall be credited to the Grant Account and may be withdrawn from the Grant Account by the Borrower as provided in the Development Financing Agreement and in these General Conditions.”

(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 Financing Agreement”.

7. Article IV is modified as follows:

(a) Section 4.02 (a) and the heading of Section 4.02 are modified to read as follows:

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

(a) The Borrower shall pay all amounts required to be paid by it under the Development Financing 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 paragraphs (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 4.06 (b) is modified to read as follows:

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

8. 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 Financing Agreement,
the proceeds of the Financing may be withdrawn to pay for taxes levied
by, or in the territory of, the Borrower on the goods or services to be
financed under the Financing, or on their importation, manufacture,
procurement or supply. The 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 Financing is
excessive or otherwise unreasonable, the Association may, by notice to
the Borrower, adjust the percentage for withdrawal set forth or referred
to in respect of such item in the Development Financing Agreement as
required to be consistent with such policy of the Association.”

9. 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”.

(c) Section 6.05 is modified to read as follows:

“Except as the Borrower and the Association shall otherwise
agree, any cancellation of any amount of the Credit shall be
applied pro rata to the several installments of the principal
amount of the Credit maturing after the date of such cancellation.”

10. Section 7.01 is modified to read as follows:

(a) The words “principal or interest or any other amount” in paragraph (b) are modified to read “any amount”.

(b) The word “credit” in paragraph (b) (i) is replaced with the words “credit, grant or financing”.

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

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