Financing Agreement

(Additional Financing for Energy Loss Reduction Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 16, 2012
AGREEMENT dated March 16, 2012, entered into between the REPUBLIC OF TAJIKISTAN ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 eight hundred thousand Special Drawing Rights (SDR 11,800,000) ("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 US Dollars.
ARTICLE III - PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out Part C.1 of the Project, and cause Parts A and C.2 to be carried out by the Project Implementing Entity, in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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

ARTICLE IV - REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

ARTICLE V - EFFECTIVENESS; TERMINATION

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

(a) the Project Agreement has been duly authorized or ratified by the Project Implementing Entity and is legally binding upon the Project Implementing Entity in accordance with its terms.

(b) the Project Operational Manual has been revised for the purposes of this Additional Financing, satisfactory to the Association.

5.02. The Additional Legal Matter consists of the following: the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity, and is legally binding upon the Recipient and the Project Implementing Entity, in accordance with its terms.

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

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for
payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI - REPRESENTATIVE; ADDRESSES

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

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

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are: (i) to assist in reducing the commercial losses in the electricity and gas systems, and to lay the foundation for the improvement of the financial viability of the electricity and gas utilities in a socially responsible manner; as well as (ii) to assist in the viability assessment of the Rogun HEP.

The Project consists of the Original Project, as modified and expanded hereunder:

Part A: Electricity Component

1. Supply and installation of electricity meters and related equipment and materials in the Dushanbe Electricity Network.

2. Design, supply and installation of automated billing systems for BT.

Part B: Gas Component

1. Supply and installation of gas meters, pipes, equipment, tools and materials.

2. Design, supply and installation of automated billing systems for developing a gas network for the Recipient.

Part C: Technical Assistance

1. Assistance to the Recipient for: (a) implementing electricity and gas tariff policies as well as social protection policies under the Recipient's energy sector reforms, including streamlining the interface between energy consumers and the institutions concerned with the technical and economic regulation of energy supply; (b) carrying out advisory services pertaining to financial, legal and technical matters for the development of new hydro electric projects and new transmission projects, both aimed at improving electricity exports; (c) carrying out TEAS, ESIA and the asset revaluation of the Rogun HEP; and (d) advisory support and capacity enhancement pertaining to TEAS, ESIA, and the Resettlement Policy Framework.

2. Assistance to BT for: (a) engineering, management and supervision of Part A of the Project, (b) the implementation of a Financial Management Improvement Program (FMIP), and independent auditing; (c) carrying out advisory services and strategic
studies for the development of the Recipient's energy sector, including: (i) sedimentation studies at Nurek Reservoir; (ii) studies for the rehabilitation and dam safety of Nurek Hydropower Plant; (iii) a study on the operation of the isolated power grid system of the BT; and (iv) enhancing capacity of BT in such other strategic areas as preparation of winter energy management plans, improving collection of payments from electricity customers, as well as improving communication, monitoring, reporting and statistical systems.

3. Assistance to TTG for: (a) engineering, management and supervision of Part B of the Project; and (b) implementation of FMIP and independent auditing.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall implement Part C.1 of the Project, and cause Parts A and C.2 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 not cause the Project Implementing Entity to, 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.

2. The Recipient shall not take any actions to modify the legal character, ownership, control, or structure of the Project Implementing Entity which might adversely affect the implementation of the Project without a prior consent of the Association.

3. The Recipient shall at all times ensure that the Project Implementing Entity has adequate functions, staffing and resources satisfactory to the Association.

4. Without limitation upon the provisions of paragraph 5 of this Section, and except as the Recipient and the Association shall otherwise agree, the Recipient 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 obligations to the Project Implementing Entity within sixty (60) days of being billed by the Project Implementing Entity; and

   (b) take all actions necessary on its part, as agreed with the Association, including, but not limited to, tariff increases and measures to improve the collection of electricity revenues from all categories of consumers to ensure the Project Implementing Entity’s cost recovery and financial viability.

5. Except as the Recipient and the Association shall otherwise agree, the Recipient shall take all actions necessary on its part, including but not limited to, tariff increases, and measures to enhance operational efficiency as well as to improve collections from all categories of consumers, to enable the Project Implementing Entity achieve Short-Term Cost Recovery for the year ending 2013 and onwards.
B. Subsidiary Agreement

(i) For the purposes of Parts A and C.2 of the Project, the Recipient shall provide a portion of the proceeds of the Grant allocated to Category (1) set forth in the table in paragraph 1 of Section IV of Schedule 2 to this Agreement to the Project Implementing Entity under a Subsidiary Agreement to be entered between the Recipient and the Project Implementing Entity, under terms and conditions which shall have been approved by the Association, which shall include adherence to TEAS and ESIA.

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

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall cause the Project Implementing Entity to carry out TEAS and ESIA under Part C of the Project in accordance with the terms of reference agreed upon with the Association and in compliance with the Association’s applicable safeguard policies. For the purposes of carrying out TEAS and ESIA, the Recipient shall: (i) fully participate in the work of the Engineering and Dam Safety Panel and the Environment and Social Panel (collectively, the “Panels”), including participating in the Panels’ meetings and riparian consultation meetings; (ii) provide supporting services to said Panels as agreed with the Association; and (iii) ensure that comments and recommendations of said Panels are adequately reflected in the final assessment reports.

2. The Recipient shall: (i) ensure that there is no relocation of residents from the proposed Rogun dam future reservoir area, unless and until the Recipient shall have prepared, disclosed and published a Resettlement Policy Framework, Resettlement Action Plan and Resettlement Audit Report, all satisfactory to the Association, and as required under ESIA; (ii) make best efforts to avoid relocation of residents in the vicinity of the Rogun dam site until the documents referred to in (i) above shall have been prepared; and (iii) in case continued resettlement of remaining residents in the vicinity of the Rogun dam site takes place, the Recipient shall carry out such resettlement with due care and in accordance with the Recipient’s applicable legal and institutional framework, as well as with the international good practices (including but not limited to adequate grievance mechanism) in a manner acceptable to the Bank.
3. The Recipient shall ensure that no actions shall be taken which lead to or result in the diversion of waters along the Vakhsh River unless and until the assessments relating to the proposed Rogun HEP, as part of TEAS and ESIA, have been completed, and the draft reports of these assessments have been shared with the Riparian States, and said Riparian States have been afforded an opportunity to comment on said assessment within a period of six (6) weeks; and such assessment has been reviewed with the Panels to determine feasibility of constructing any dam facility within the Rogun HEP.

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 the indicators agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished by the Recipient 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 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 furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

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

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 the Procurement Guidelines, or 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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding for works, subject to the additional provisions set forth in the Annex to this Schedule 2</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

**C. Particular Methods of Procurement of Consultants' Services**

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

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.
<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Single Source Selection</td>
</tr>
<tr>
<td>(b) Selection Based on the Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(d) Least Cost Selection</td>
</tr>
<tr>
<td>(e) Quality Based Selection</td>
</tr>
<tr>
<td>(f) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

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:
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal 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 1,000,000, may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after January 12, 2012.

2. The Closing Date is December 31, 2014.
ANNEX
to
SCHEDULE 2

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

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

Entity responsible for carrying out the procurement

2. The procurement shall be carried out by the “procuring entity”, as defined in Article 9 of the Law, without any involvement of the Authorized Body on Public Procurement (as referred to in Article 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 (1) 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. For the procurement of goods and works, bidders shall be required to submit a bid security in the amount and in the form specified in the bidding documents, unless otherwise agreed with the Association. A bid security in the form of an advance bank transfer shall not be allowed.

**Bid submission and bid opening**

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

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

**Bid evaluation and award of contracts**

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

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

14. Evaluation of bids shall be made in strict adherence to the criteria specified in the bidding documents, and contracts should be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid.
15. A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted.

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

Section I. Definitions


2. "BT" or "Barki Tajik" means OSHPC Barki Tajik, the Project Implementing Entity which is an open joint stock holding company established by the Recipient's Government Decree No. 537, dated October 31, 2008, and registered on November 27, 2008 (registration No. 001-5563) or any successor or successors thereto.

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


5. "Engineering and Dam Safety Panel" means an independent panel of engineering and dam safety experts selected, managed and funded by the Association, and responsible for reviewing and advising on TEAS.

6. "Environment and Social Panel" means an independent panel of environmental and social experts selected, managed and funded by the Association, and responsible for reviewing and advising on ESIA.

7. "ESIA" means the Environmental and Social Impact Assessment Study carried out under Part C.2 of the Original Project, updated for the purpose of this Additional Financing, addressing environmental and social risks relating to the proposed Rogun HEP, as well as setting forth the mitigation, monitoring and institutional measures to manage the risks.


10. "Original Project" means the Project described in the Original Financing Agreement, as amended on January 26, 2011.


12. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated January 12, 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 Implementing Entity’s Legislation" means the Recipient’s Government Decree No. 537, dated October 31, 2008, and registered on November 27, 2008 (registration No. 001-5563) or any successor or successors thereto.

14. "Project Operational Manual" means the project operational manual adopted by the Recipient under the Original Project, as revised for the purposes of this Additional Financing.

15. "Resettlement Action Plan" means a resettlement action plan to be prepared by the Recipient pursuant to Section I.D of Schedule 2 to this Agreement.

16. "Resettlement Audit" means the review of all resettlement activities undertaken during the period from December 1, 2009, and prior to the completion and subsequent update of the ESIA for the purposes of this Additional Financing, that are related to the proposed Rogun HEP, including review of resettlement terms, procedures and practices and identifying any remedial measures that may be necessary to bring those resettlement activities into consistency with the Resettlement Policy Framework and the World Bank’s Operational Policy on Involuntary Resettlement (OP 4.12).

17. "Resettlement Policy Framework" means the resettlement policy framework to be prepared as referred to in Section I.D of Schedule 2 of this Agreement, defining the modalities for acquiring and allocating land, resettlement and rehabilitation of displaced persons.

18. "Rogun HEP" or "Rogun Hydroelectric Project" means the Recipient’s project for the rehabilitation works and planned construction of a 3600 MW reservoir-type hydroelectric power plant along the Vakhsh River, and located upstream of the Nurek Hydroelectric Power Plant and 110 kilometers from Dushanbe City, for the generation of energy resources for the Recipient and the regulation of water.
19. "Riparian States" means upstream and downstream riparian states along the Vakhsh River and Amu Darya River, including Tajikistan, Turkmenistan, Uzbekistan, Afghanistan, Kazakhstan, and Kyrgyzstan.

20. "Short-Term Cost Recovery" means the ability of the Project Implementing Entity to maintain a positive cash flow after the deduction of operating expenses and debt servicing from its net cash flow on a yearly basis.

21. "Strategy" means the Recipient’s letter dated March 18, 2005, describing policy, investment, social protection and institutional reforms designed to promote the development of the Recipient’s energy sector, or any successor document for the accomplishment of said purposes.

22. "Subsidiary Agreement" means the agreement referred to in Section 1.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.

23. "TTG" or "Tajiktransgaz" means OJSC Tajiktransgaz, an open joint stock holding company, established by the Recipient’s Government Decree No. 81, dated February 21, 2009, and registered on May 28, 2009 (Registration № 001-6163), or any successor or successors thereto.

24. "TEAS" means the Techno-Economic Assessment Study for the Original Project, updated for the purposes of this Additional Financing, satisfactory to the Association, addressing the engineering, geologic and financial/economic aspects of the proposed Rogun HEP.