Financing Agreement

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

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 7, 2015
FINANCING AGREEMENT

Agreement dated [August 7], 2015, 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 ("Financing") in an amount equivalent to three million nine hundred thousand Special Drawing Rights (SDR 3,900,000) to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Payment Dates are May 15 and November 15 in each year.

2.05. The Payment Currency is United States Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the PMU in accordance with the provisions of Article IV of the General Conditions.
3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

(a) The execution and delivery of the Financing Agreement (Credit) on behalf of the Recipient has been duly authorized or ratified by all necessary governmental action and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled, all in a manner satisfactory to the Association.

(b) The GAFSP Agreement has been: (a) amended and authorized or ratified by all governmental action; and (b) all conditions precedent to its effectiveness have been fulfilled, all in a manner satisfactory to the Association.

(c) The Recipient shall have signed the contract for updating the existing IC accounting software for Project accounting, budgeting and reporting.

(d) The Project Operational Manual (POM) has been updated and amended by the Recipient in a manner acceptable to the Association.

4.02. The Effectiveness Deadline is the date one hundred (120) days after the date of this Agreement.

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

5.02. The Recipient’s Address is:

Ministry of Finance
3, Akademic Rajabovho Street
Dushanbe, 734025
Republic of Tajikistan
Facsimile:
(992-372) 213329

5.03. The Association’s Address is:

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

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

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

REPUBLIC OF TAJIKISTAN

By
Authorized Representative
Name: Abdusalom Kurbanov
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Authorized Representative
Name: Patricia Vevers-Carter
Title: Country Manager
SCHEDULE 1

Project Description

The objectives of the Project are to: (i) provide access to temporary employment to food-insecure people through the rehabilitation of irrigation and drainage infrastructure; (ii) increase yields of selected crops in response to improved irrigation and infrastructure; and (iii) strengthen the capacity of Tajikistan to introduce integrated water resource management.

The Project consists of the following parts:

Part A. Public Works and Rehabilitation of Irrigation and Drainage Infrastructure

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

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

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

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

1. Provision of consultants’ services to: (i) further develop the legal basis for integrated water resource management and water sector reform; (ii) prepare a national integrated water resource management strategy to identify priorities for improving water resource management in Tajikistan; and (iii) establish a national Water Information System (WIS).

2. Provision of technical assistance and Training to implement river basin management in the Kofarnihon river basin.

3. Provision of: (a) revitalization and strengthening of ALRI as an irrigation and drainage service provider; (b) assistance in establishment and strengthening of WUAs; and (c) institutional support to ALRI and WUAs, including the carrying out of the rehabilitation and construction of office space of WUAs through the provision of Sub-grants to WUAs, technical assistance, Training and goods required therefor.
Part C: Project Implementation

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

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through the PMU, shall: (a) update and amend the POM on terms and in a manner acceptable to the Association; and (b) thereafter, carry out the Project in a timely manner in accordance with the POM and the GEMP, and apply and implement, as the case may be, the actions, criteria, policies, procedures and arrangements therein set forth.

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

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

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

5. By not later than two (2) months after the Effective Date, the Recipient, through the PMU, shall update the computerized accounting system at the PMU to generate consolidated financial statements for the additional site locations under Part A of the Project.

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

7. For the purpose of Part A(1) of the Project, the Recipient, through the PMU, shall ensure that the beneficiaries to be employed under this sub-component will be selected according to criteria set forth in the POM.
B. Sub-Grants under Part B(3) of the Project

1. To facilitate the carrying out of Part B(3) of the Project, the Recipient shall: (a) select Subprojects in accordance with the eligibility criteria and procedures set forth in the POM; and (b) make a Sub-Grant available to Eligible WUAs for any given Subproject under a Sub-Grant Agreement between the PMU and the respective Eligible WUA, under terms and conditions approved by the Association, including those set forth in Section I, Part C of this Schedule and in the POM.

2. The Recipient shall ensure that each Sub-Grant Agreement shall comply with, but not be limited to, the following terms and conditions:

   (a) Each Eligible WUA shall carry out the activities under Part B(3) of the Project in accordance with the Anti-Corruption Guidelines;
   
   (b) Sub-Grants shall not finance non-eligible activities or expenditures listed in the POM; and
   
   (c) Sub-Grants are used exclusively for the purposes specified in the respective Subprojects.

C. Sub-Grant Agreement under Part B(3) of the Project

For the purposes of carrying out any given Subproject under Part B(3) of the Project, the Recipient, through the PMU, shall:

1. Ensure that each Sub-Grant Agreement is prepared based on the model form approved by the Association and included in the POM in which the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:

   (a) suspend or terminate the right of any Eligible WUA to use the proceeds of the Sub-Grant, or obtain a refund of all or any part of the amount of the Sub-Grant then withdrawn, upon the Eligible WUA’s failure to perform any of its obligations under the Sub-Grant Agreement; and
   
   (b) require each Eligible WUA to: (i) carry out its pertinent Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices acceptable to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines and the GEMP and related EMP; (ii) provide, promptly as needed, the resources required for the carrying out of the Subproject; (iii) procure the goods, works and consultants’ services to be financed out of the Sub-grant in accordance with the provisions of this Agreement; (iv) maintain procedures adequate
to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the pertinent Subproject and the achievement of its objectives; (v) maintain a simplified financial management system and records in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; (vi) enable the Recipient and the Association to inspect the Subproject, its operation and any relevant records and documents; and (vii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

2. Exercise its rights and carry out its obligations under each Sub-Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Sub-Grant.

3. Not assign, amend, abrogate, waive, terminate or fail to enforce any Sub-Grant Agreement or any provisions thereof, except as the Association shall otherwise agree.

D. Anti-Corruption

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

E. Environmental and Social Safeguards

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

2. For purposes of Parts A and B(3) of the Project, the Recipient, through the PMU, shall prepare and submit to the Association, prior to the issuance of any bidding documents for works contracts at sites requiring a site-specific EMP, in accordance with the GEMP:

   (a) the proposed design and site for said works and the related site-specific EMP in form and substance satisfactory to the Association; and

   (b) the draft contract for said works to ensure that the provisions of said site-specific EMP are adequately included in said contract.

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

4. The Recipient, through the PMU, shall ensure, when any activity under a Sub-project will involve any international waterway (as defined in the Association’s Operational Policy 7.50), that:

(a) such activity shall be limited to ongoing schemes involving additions or alterations that require rehabilitation, construction, or other changes that: (i) will not adversely change the quality or quantity of water flows to the other riparian; and (ii) will not be adversely affected by the other riparian’s possible water use; and

(b) such activity shall be limited to only minor additions or alterations to the ongoing scheme and it does not cover works and activities that would exceed the original scheme, change its nature, or so alter or expand its scope and extent as to make it appear to be a new or different scheme.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators 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.

2. The Recipient shall: (a) no later than February 28, 2018, or such other date as the Association shall agree upon, carry out jointly with the Association, a mid-term review of the implementation of the activities under the Project (Mid-Term Review), which Mid-Term Review shall cover the progress achieved in the implementation of the Project; and (b) immediately thereafter, take any corrective action as shall have been agreed with the Association.

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 Association will publish the audit reports in accordance with its Access to Information Policy.

Section III. Procurement

A. General

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

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

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in 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 methods of procurement, other than International Competitive Bidding, may be used for goods, works and non-consulting services for those contracts specified in the Procurement Plan:

(a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2;
(b) Shopping;
C. Particular Methods of Procurement of Consultants’ Services

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

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan:

   (a) Quality-based Selection;
   (b) Least Cost Selection;
   (c) Selection based on Consultants’ Qualifications;
   (d) Selection under a Fixed Budget;
   (e) Single-source Selection;
   (f) Selection of Individual Consultants; and
   (g) Selection of UN Agencies following Para 3.15 of Consultant Guidelines.

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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

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

<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 VAT and customs taxes and fees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, works, non-consulting services, consultants' services, Training and Incremental Operating Costs under Parts A(1), A(2), B(3) (including Sub-projects) and C of the Project</td>
<td>3,900,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>3,900,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

### B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is February 28, 2020.

### Section V. Other Undertakings

The Recipient and the Association hereby agree to amend the Original Financing Agreement as set forth in Schedule 3 to this Agreement.
ANNEX to SCHEDULE 2

NATIONAL COMPETITIVE BIDDING

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

Participation in bidding

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

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

3. **Bidding Documents**: Procuring entities shall use the appropriate standard bidding documents acceptable to the Association, which documents shall be prepared so as to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines. Until a modified version of the Recipient’s standard bidding documents has been approved by the Association, the Association’s sample NCB bidding documents for the Europe and Central Asia Region shall be used.

4. **Bid Validity**: The bid validity period required by the bidding documents shall be sufficient to account for any period that may be required for the approval and registration of the contract as contemplated in the PPL. An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation, award a contract, and/or complete the registration process. No further extensions shall be requested without the prior written concurrence of the Association.
5. **Qualification:** Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a "pass or fail" basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (iii) capability of construction and/or manufacturing facilities.

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

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

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

8. **Bid Evaluation and Award of Contracts:** Bidders shall not be allowed to be present during bid evaluation, and no information relating to the evaluation of bids shall be disclosed to bidders until the bidders are notified of the contract award.

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

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

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

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

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

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

13. **Inspection and Audit Rights:** In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association’s and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.
SCHEDULE 3

Amendments to the Original Financing Agreement

The Recipient and the Association hereby agree to amend the Original Financing Agreement to read as follows:

1. Schedule 1 to the Original Financing Agreement is hereby amended and replaced in its entirety as set forth in Schedule 1 to this Agreement.

2. Schedule 2 to the Original Financing Agreement, Section I is hereby amended by adding the following Parts B and C and renumbering subsequent sections:

“B. Sub-Grants under Part B(3) of the Project

1. To facilitate the carrying out of Part B(3) of the Project, the Recipient shall: (a) select Subprojects in accordance with the eligibility criteria and procedures set forth in the POM; and (b) make a Sub-Grant available to Eligible WUAs for any given Subproject under a Sub-Grant Agreement between the PMU and the respective Eligible WUA under terms and conditions approved by the Association, including those set forth in Section I, Part C of this Schedule and in the POM.

2. The Recipient shall ensure that each Sub-Grant Agreement shall comply with, but not be limited to, the following terms and conditions:

(a) Each Eligible WUA shall carry out the activities under Part B(3) of the Project in accordance with the Anti-Corruption Guidelines;

(b) Sub-Grants shall not finance non-eligible activities or expenditures listed in the POM; and

(c) Sub-Grants are used exclusively for the purposes specified in the respective Subprojects.

“C. Sub-Grant Agreement under Part B(3) of the Project

For the purposes of carrying out any given Subproject under Part B(3) of the Project, the Recipient, through the PMU, shall:

1. Ensure that each Sub-Grant Agreement is prepared based on the model form approved by the Association and included in the POM
in which the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:

(a) suspend or terminate the right of any Eligible WUA to use the proceeds of the Sub-Grant, or obtain a refund of all or any part of the amount of the Sub-Grant then withdrawn, upon the Eligible WUA’s failure to perform any of its obligations under the Sub-Grant Agreement; and

(b) require each Eligible WUA to: (i) carry out its pertinent Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices acceptable to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines and the GEMP and related EMP; (ii) provide, promptly as needed, the resources required for the carrying out of the Subproject; (iii) procure the goods, works and consultants’ services to be financed out of the Sub-grant in accordance with the provisions of this Agreement; (iv) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the pertinent Subproject and the achievement of its objectives; (v) maintain a simplified financial management system and records in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; (vi) enable the Recipient and the Association to inspect the Subproject, its operation and any relevant records and documents; and (vii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

2. Exercise its rights and carry out its obligations under each Sub-Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Sub-Grant.

3. Not assign, amend, abrogate, waive, terminate or fail to enforce any Sub-Grant Agreement or any provisions thereof, except as the Association shall otherwise agree.”
3. Schedule 2 to the Original Financing Agreement, Section I, Part E (formerly Part C) is hereby amended and replaced in its entirety as follows:

"E. Environmental and Social Safeguards"

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

2. For purposes of Parts A and B(3) of the Project, the Recipient, through the PMU, shall prepare and submit to the Association, prior to the issuance of any bidding documents for works contracts at sites requiring a site-specific EMP, in accordance with the GEMP:
   
   (a) the proposed design and site for said works and the related site-specific EMP in form and substance satisfactory to the Association; and
   
   (b) the draft contract for said works to ensure that the provisions of said site-specific EMP are adequately included in said contract.

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

4. The Recipient, through the PMU, shall ensure, when any activity under a Sub-project will involve any international waterway (as defined in the Association’s Operational Policy 7.50), that:
   
   (a) such activity shall be limited to ongoing schemes involving additions or alterations that require rehabilitation, construction, or other changes that: (i) will not adversely change the quality or quantity of water flows to the other riparian; and (ii) will not be adversely affected by the other riparian’s possible water use; and
such activity shall be limited to only minor additions or alterations to the ongoing scheme and it does not cover works and activities that would exceed the original scheme, change its nature, or so alter or expand its scope and extent as to make it appear to be a new or different scheme."

4. Schedule 2 to the Original Financing Agreement, Section II, Part A is hereby amended by adding after paragraph 1 the following new paragraph 2:

"2. The Recipient shall: (a) no later than February 28, 2018, or such other date as the Association shall agree upon, carry out jointly with the Association, a mid-term review of the implementation of the activities under the Project (Mid-Term Review), which Mid-Term Review shall cover the progress achieved in the implementation of the Project; and (b) immediately thereafter, take any corrective action as shall have been agreed with the Association."

5. Schedule 2 to the Original Financing Agreement, Section III.C(2) is hereby amended and replaced in its entirety as follows:

"2. Other Methods of Procurement of Consultants' Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan:

(a) Quality-based Selection;
(b) Least Cost Selection;
(c) Selection based on Consultants' Qualifications;
(d) Selection under a Fixed Budget;
(e) Single-source Selection;
(f) Selection of Individual Consultants; and
(g) Selection of UN Agencies following Para 3.15 of Consultant Guidelines."

6. Schedule 2 to the Original Financing Agreement, Section IV.B(2) is hereby amended and replaced in its entirety as follows:

"2. The Closing Date is February 28, 2020."

7. Section I of the Appendix of the Original Financing Agreement is hereby amended to read as Section I of the Appendix of this Agreement, as applicable.
APPENDIX

Definitions

1. "ALRI" means the Recipient’s Agency for Land Reclamation and Irrigation, or any legal successor thereto.


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


5. "Eligible WUA" means any eligible WUA which, upon meeting the criteria set forth in the POM, is selected to receive a Sub-Grant for carrying out a Subproject under Part B(3) of the Project.

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

7. "Financing Agreement (Credit)" means the Financing Agreement of even date between the Recipient and the Association provided for the Project in an amount of four million seven hundred thousand Special Drawing Rights (SDR 4,700,000).

8. "GAFSP Agreement" means the agreement of even date between the Recipient and the International Bank for Reconstruction and Development, acting in its capacity as trustee of the Global Agriculture and Food Security Program (GAFSP) Multi Donor Trust Fund, providing for a grant in an amount of US$27,900,000 to assist in the financing of this Project (TF010639), as amended.

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


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

12. “Original Project” means the Project set forth in Schedule 1 to the Original Financing Agreement.

13. “Original Financing Agreement” means the agreement entered into between the Recipient and the Association dated February 5, 2013 in support of the Original Project.

14. “PMU” means the Project management unit, under the ALRI, established pursuant to the Recipient’s Decree No. 493 of December 27, 2005, or any successor thereto.


16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 21, 2015 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.

17. “Project Operational Manual” means the Project’s operational manual, satisfactory to the Association, referred to in Section 4.01(d) of this Agreement, and setting out the operational and administrative procedures for the implementation of the Project, which shall include a financial management manual and chart of accounts.
18. "Sub-Grant" means any grant made or proposed to be made out of the proceeds of the Financing in support of any given Subproject under Part B(3) of the Project.

19. "Sub-Grant Agreement" means an agreement to be entered into between the PMU and an Eligible WUA for a respective Subproject pursuant to Section I, Part B of Schedule 2 to this Agreement.

20. "Subproject" means any investment referred to in Part B(3) of the Project which meets the criteria set forth in the POM and financed by a Sub-Grant pursuant to a respective Sub-Grant Agreement.

21. "Training" means expenditures (other than those for consultants’ services) for the Project related to study tours, training courses, seminars, workshops and other training activities, including costs of training materials, space and equipment rental, travel and *per diem* costs of trainees and trainers.

22. "WIS" means a Water Information System, consolidating water resource database as the basis for national water resource planning and programming.

23. "WUA" means a Water User Association established as a non-profit organization by a group of farmers and/or by other water users for purposes of managing one or more hydrological sub-systems or water courses.