OFFICIAL DOCUMENTS

GRANT NUMBER D087-TJ

Financing Agreement

(Additional Financing for the Second Dushanbe Water Supply 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 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 (variously "Financing" and "Grant") in an amount equivalent to three million three hundred thousand Special Drawing Rights (SDR 3,300,000) 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 - THE PROJECT

3.01 The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the provisions of Article II 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

4.01.1 The Additional Events of Suspension consist of the following:

(a) the Project Operational Manual shall have been amended, suspended, abrogated or waived without the Association's prior consent;

(b) the Operational Performance Improvement Action Plan shall have been amended, suspended, abrogated or waived without the Association's prior consent, and/or the Project Implementing Entity and/or the Municipality of Dushanbe has not been acting in compliance with the Operational Performance Improvement Action Plan;

(c) the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement; and

(d) the Municipality of Dushanbe and/or the Project Implementing Entity shall have failed to comply with any of its obligations under the Subsidiary Financing Agreement.

ARTICLE V - EFFECTIVENESS; TERMINATION

5.01 The Additional Condition of Effectiveness consists of the following:

(a) The Subsidiary Financing Agreement has been executed on behalf of the Recipient, the Project Implementing Entity, and the Municipality of Dushanbe.

(b) The Financing Agreement (Credit) has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient
to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

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

5.03 The Effectiveness Deadline is the date one hundred and twenty (120) 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 referred to in Section 7.02 of the General Conditions is its Minister of Finance.

6.02. The Recipient’s Address referred to in Section 7.01 of the General Conditions is:

Ministry of Finance
3, Akademic Rajobovkho Street
Dushanbe, 734025
Republic of Tajikistan

Facsimile:

(992-372) 213329

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391

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

REPUBLIC OF TAJIKISTAN

By

Authorized Representative

Name: Abdusalom Dushoniyon
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Patricia Vevers-Lawler
Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to improve water utility performance and water supply services in selected areas of Dushanbe.

The Project consists of the following parts:

**Part A: Metering and Demand Management**

Carrying out installations of water meters to improve water revenue collection and to reduce water wastage through:

(a) supplying and installing approximately seventy-six thousand five hundred (76,500) water meters in residential homes for completion of the ongoing metering program in the southern part of Dushanbe;

(b) installing bulk flow meters at water production facilities;

(c) installing a network information system to monitor and control water usage as well as to reduce water wastage;

(d) formulating and implementing a communication strategy and public awareness campaign to manage the demand for water, including annual customer satisfaction surveys, and introduction of mobile-phone based customer feedback and claim systems;

(e) implementation of energy efficiency upgrades to improve energy efficiency of DVK facilities; and

(f) replacement and sectorization of prioritized portions of the distribution network and development of a leak reduction strategy to reduce water losses.

**Part B: Water Quality Improvement**

Carrying out system upgrades to improve the quality of water, including:

(a) reconstruction of filters at Samatechnaya Water Treatment Plant, including modification of inlet and outlet structures;

(b) installing of an automated coagulation dosage system at Samatechnaya Water Treatment Plant;

(c) installing of in-network re-chlorination systems.
(d) cleaning the water distribution networks; and
(e) installing equipment for water quality monitoring.

**Part C: Institutional Strengthening and Capacity-Building**

1. Provision of technical assistance for the development of a new tariff strategy; and development of a new pricing system for the establishment of new service connections.

2. Provision of technical assistance through carrying out studies, training, consulting services, workshops for building the institutional capacity of the Project Implementing Entity to collect water revenue through metered and automated systems, including:

   (a) carrying out an assessment of the Project Implementing Entity’s organizational and capacity-building needs;

   (b) modernizing the Project Implementing Entity’s accounting, billing and water revenue collection systems;

   (c) carrying out training for the Project Implementing Entity’s corporate development and financial performance; and

   (d) carrying out studies for the improvement of the Project Implementing Entity’s operations.

3. Provision of technical assistance to improve the operations and maintenance performance of DVK, including but not limited to the development of non-revenue water reduction strategy and capacities, hydraulic modeling and design of pressure zones.

4. Provision of training for operational and administrative capacity building.

**Part D: Project Implementation Support**

1. Provision of technical assistance to support DVK in project management and for engineering designs and supervision assistance.

2. Provision of incremental operating costs for project communications and coordination.

3. Carrying out of project audits, including the audits of the Project Implementing Entity’s financial statements.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall review, in accordance with established procedures, the periodic proposals for tariff adjustments submitted by the Project Implementing Entity at least annually, and thereafter, the Recipient, jointly with the Municipality of Dushanbe, shall promptly take action, in accordance with the applicable laws of the Recipient, to adjust said tariffs so that the Project Implementing Entity can meet its obligations by collecting sufficient revenues to cover operation and maintenance costs and other expenses.

2. The Recipient shall, jointly with the Municipality of Dushanbe, cause the Project Implementing Entity to implement the Operational Performance Improvement Action Plan in a manner satisfactory to the Association.

3. The Recipient shall take all measures necessary to ensure that the Municipality of Dushanbe and the relevant government agencies shall, after review of the forecast amount of water consumption prepared by the Project Implementing Entity every six (6) months: (a) allocate in the relevant operating budgets of municipal entities adequate funds for payment of water fees; and (b) ensure that said funds are paid.

4. The Recipient shall, and shall cause the Municipality of Dushanbe to, take all measures necessary to ensure that the Project Implementing Entity is able to collect water fees from its customers.

5. The Recipient shall ensure that the Project Implementing Entity shall:

(a) prepare and furnish to the Association by November 30 of each year of Project implementation, for the Association’s review and concurrence, an annual work program for the Project for the following calendar year, including procurement and financing plans; and

(b) thereafter, carry out the relevant annual work program in accordance with its terms and in a manner satisfactory to the Association.

6. Not later than thirty (30) days after the Effective Date, the Recipient shall cause the Municipality of Dushanbe to provide financing to the Project Implementing Entity in an amount equivalent to one million United States Dollars (US$1,000,000) from the said Municipality’s own resources, on terms and conditions acceptable to the Association, to cover the projected counterpart financing requirements.
7. Not later than December 31, 2015, the Recipient shall ensure that the Municipality of Dushanbe has approved the establishment of a new organizational structure for the Project Implementing Entity, acceptable to the Association.

8. Not later than December 31, 2015, the Recipient shall ensure that the Project Implementing Entity has successfully completed the installation of a customer management system, acceptable to the Association.

9. Not later than December 31, 2015, the Recipient shall ensure that the Project Implementing Entity has successfully completed the recruitment process for the Deputy Director of Finance and Deputy Director of Customer Service, with professional qualifications and experience acceptable to the Association.

B. **Subsidiary Financing Agreement**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing ("Subsidiary Financing-Grant") available to the Project Implementing Entity on a grant basis, under a subsidiary financing agreement ("Subsidiary Financing Agreement") to be entered into among the Recipient, the Municipality of Dushanbe and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include, *inter alia*, the following:

   (a) the Subsidiary Financing-Grant shall be denominated in Dollars;

   (b) The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Financing Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. The Recipient shall not assign, amend, abrogate, terminate, waive, or fail to enforce the Subsidiary Financing Agreement or any of its provisions without the prior approval of the Association; and

   (c) the obligation of the Municipality of Dushanbe to comply with the provisions of this Agreement, as applicable to said Municipality.

C. **Safeguards**

1. The Recipient shall ensure that all measures necessary for carrying out the EMMP, the Resettlement Policy Framework and the Resettlement Action Plan(s) shall be taken in a timely manner acceptable to the Association.

2. The Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce the Resettlement Policy Framework, the Resettlement Action Plan and/or EMMP or any of their provisions, without the prior approval of the Association.
3. The Recipient shall ensure that no civil works for the Project will be carried out on those sites where Resettlement is required, unless and until the Project Implementing Entity shall:

(a) prepare, disclose and publish a Resettlement Action Plan for such sites, in accordance with the Resettlement Policy Framework and satisfactory to the Association; and

(b) thereafter, carry out the respective Resettlement Action Plan, in accordance with its terms and in a manner acceptable to the Association.

D. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall, jointly with the Municipality of Dushanbe, monitor and evaluate the progress of the Project, and shall cause the Project Implementing Entity to 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 (1) 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. (a) The Recipient shall cause the Project Implementing Entity to, no later than June 30, 2017, carry out jointly with the Association, a midterm review of the progress made in carrying out the Project ("Midterm Review"). The Midterm Review shall cover, inter alia: (i) progress made in meeting the Project’s objectives; and (ii) overall Project performance against the Project performance indicators; and

(b) Thereafter, the Recipient shall prepare and furnish to the Association a report in form and substance acceptable to the Association, integrating the results of said Midterm Review and the recommended measures.

3. Without limitation to the provisions in paragraph 1 of this Section, the Recipient shall cause the Project Implementing Entity to prepare at least four (4) weeks prior to the Midterm Review and furnish to the Association, a separate report, acceptable to the Association, describing the status of implementation of each component of the Project and a summary report of Project implementation generally.
B. Financial Management, Financial Reports and Audits

1. The Recipient, jointly with the Municipality of Dushanbe, 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 cause the Project Implementing Entity to prepare and furnish to the Association, not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the pertinent 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 (1) 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.

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 (NCB) 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) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection Under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on the Consultants’ Qualifications</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (exclusive of VAT and customs taxes and fees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants' services and non-consulting services for Parts A.1.(a), (d), (e), and (f) and Parts B.1.(a), (b), and (c) of the Project</td>
<td>2,700,000</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Goods, consultants' services, non-consulting services and Incremental Operating Costs, including audits and Training, for Parts C and D of the Project</td>
<td>600,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,300,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

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

2. The Closing Date is September 30, 2018.

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.
SCHEDULE 3

Amendments to the Original Financing Agreement

The Recipient and the World Bank hereby agree to amend the Original Grant Agreement to read as follows:

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

2. 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 September 30, 2018.”

3. The Definitions under Appendix to the Original Financing Agreement are hereby amended, as applicable, to read as per Appendix 2 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 the Recipient’s Law “On Public Procurement of Goods, Works and Services”, #168 dated March 3, 2006 (as amended by Law #165, 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 the provisions of Section 1 and Paragraphs 3.3 and 3.4 of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” (January 2011) (the “Procurement Guidelines”) (as required by paragraphs. 3.3 of the Guidelines) and the following paragraphs additional provisions:

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 1 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 1 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 1 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: (a) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (b) financial position; and where relevant (c) 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 exceed the estimated cost. 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 inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.
APPENDIX

Definitions


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


5. "EMMP" means the environmental management and monitoring plan, satisfactory to the Association, adopted by the Project Implementing Entity on January 25, 2011, setting forth measures to mitigate any adverse impacts to the environment.

6. "Financing Agreement (Credit)" means the Financing Agreement of even date between the Recipient and the Association in support of the Project in an amount of four Million Special Drawing Rights (SDR 4,000,000).


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

10. "Municipality of Dushanbe" means the Municipality of the City of Dushanbe of the Recipient, a political subdivision of the Recipient, or any successor thereto.

11. "Operational Performance Improvement Action Plan" means the Project Implementing Entity's action plan dated May 21, 2014, to improve the financial and technical performance of the Project Implementing Entity to be implemented by the Project Implementing Entity and the Municipality of Dushanbe pursuant to Section I.A.3 of the Schedule to the Project Agreement, as the same may be amended from time to time with the agreement of the Association.


13. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.


15. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated June 17, 2015 and referred to in paragraph 1.16 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.

16. "Project Agreement" means the agreement between the Association and DVK of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements to the Project Agreement.

17. "Project Implementing Entity" means DVK, or any successor thereto, acceptable to the Association.


19. "Project Operational Manual" means the Project Implementing Entity’s project operational manual, referred to in Section I, Part A, paragraph 1 of the Project Agreement and which shall include procedures for financial management and procurement for the Project.
20. "Resettlement" means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (a) standard of living adversely affected; (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

21. "Resettlement Action Plan" or "RAP" means any resettlement action plan referred to in Section I, Part C, paragraph 3 of Schedule 2 to this Agreement.

22. "Resettlement Policy Framework" means the resettlement policy framework prepared and disclosed by the Project Implementing Entity on January 25, 2011, pursuant to Section I, Part C, paragraph 3 of Schedule 2 to this Agreement, defining, inter alia, the principles and objectives governing Resettlement preparation and implementation.

23. "Subsidiary Financing Agreement" means the agreement referred to in Section I, Part B, paragraph 1 of Schedule 2 to this Agreement and in Section I, Part B, paragraph 1 of Schedule 2 of the Financing Agreement (Grant) as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Financing Agreement.

24. "Subsidiary Financing-Grant" means the financing made out of the proceeds of the Financing to the Project Implementing Entity pursuant to the Subsidiary Financing Agreement.

25. "Training" means expenditures for Project related study tours, training courses, seminars, workshops and other training activities not included under service providers' contracts, including costs of training materials, space and equipment rental, travel and per diem costs of trainees and trainers, as approved by the Association.