Financing Agreement

(Additional Financing For Energy Emergency Recovery Assistance Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 14, 2010
FINANCING AGREEMENT

Agreement dated May 14, 2010, entered into between the REPUBLIC OF TAJIKISTAN ("Recipient") and 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 nine million nine hundred thousand Special Drawing Rights (SDR 9,900,000) ("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 March 15 and September 15 in each year.

2.05. The Payment Currency is Dollars.
3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project, through BT, in accordance with the provisions of Article IV of the General Conditions and the Additional Financing BT 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 Events of Suspension consist of the following:

   (a) BT shall have failed to perform any of its obligations under the Additional Financing BT Project Agreement.

   (b) The Charter of BT has been amended, suspended, abrogated, repealed or waived, or the Recipient has enacted new legislation, or issued new directives, so as to affect materially and adversely the ability of BT to perform any of its obligations under the Additional Financing BT Project Agreement.

   (c) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that BT shall be able to perform its obligations under the Additional Financing BT Project Agreement.

4.02. The Additional Events of Acceleration consists of the following, namely, any event specified in paragraphs (a), (b) or (c) of Section 4.01 of this Agreement occurs.

ARTICLE V - EFFECTIVENESS; TERMINATION

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

   (a) The Additional Financing BT Subsidiary Credit Agreement has been signed in accordance with the provisions of paragraph 1 of Section 1.B of Schedule 2 to this Agreement.
(b) The Recipient has adopted the Project Operational Manual for the Project in form and substance satisfactory to the Association.

5.02. The Additional Legal Matters consist of the following, namely, the amended BT Subsidiary Credit Agreement referred to in paragraph (a) of Section 5.01 has been duly authorized or ratified by the Recipient and BT, by all necessary government and corporate action, respectively, and is legally binding upon the Recipient and BT 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 the 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.

6.02. The Recipient’s Address is:

Ministry of Finance
3 Akademikov Rajabovkh Ave.
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: 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 objective of the Project is to urgently increase the volume and reliability of the national energy supply, especially in the winter season, by supporting the implementation of the Recipient’s EEMAP.

The Project consists of the Original Project and the following additional paragraph C under Part 1 of Schedule 1 to the Original Financing Agreement, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

Part 1: Barki Tajik

C. Provision of Energy Resources

(i) Provision of power to areas in the Barki Tajik that are not currently connected to the Tajikistan grid.

(ii) Provision of power in the Barki Tajik from Sangtuda-1 power plant.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements and Implementation Covenants

1. The Recipient shall cause BT to carry out the Project in accordance with best energy and utility practices.

2. The Recipient, through BT, shall be responsible for implementation, procurement, financial management and environmental management activities of Parts 1:B and 1:C of the Project.

3. The Recipient shall cause BT, through the BT PMG:

   (i) to take all measures necessary to perform their respective obligations under the Project Operational Manual and the EMP in a timely manner and in accordance with its respective terms, and apply and implement, as the case may be, the actions, criteria, policies, procedures and arrangements therein set forth; and

   (ii) not amend or waive, or permit to be amended or waived the Project Operational Manual or the EMP or any provisions of it thereof, except with the prior written approval of the Association.

4. Prior to the commencement of any works under the Project, the Recipient shall prepare an EMP in a manner satisfactory to the Association.

5. The Recipient shall, and shall cause BT, to maintain the BT PMG at all times during Project implementation, with staff and resources satisfactory to the Association.

B. Additional Financing Subsidiary Credit Agreement

1. To facilitate the carrying out of Parts 1:B and 1:C of the Project, the Recipient shall make the proceeds of the Financing available to BT under a Subsidiary Credit Agreement between the Recipient and BT (“Additional Financing BT Subsidiary Credit Agreement”), under terms and conditions approved by the Association and in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient, which shall include the following:

   (i) the Recipient shall on-lend to BT, an amount in Dollars allocated from time to time to Categories (1) and (2) of the table in Part A.2 of Section IV of Schedule 2 of this Agreement;
(ii) the principal amount of the Additional Financing Subsidiary Credit shall be repaid by BT to the Recipient in Dollars and shall be the equivalent in SDRs (determined as of the date or respective dates of repayment) of the value of the currency or currencies withdrawn from the Financing Account on account of the Additional Financing BT Subsidiary Credit Agreement;

(iii) the term of the Additional Financing Subsidiary Credit shall be twenty (20) years, including a five (5) year grace period;

(iv) the Recipient shall charge BT a commitment charge on the Unwithdrawn Credit Balance for the Additional Financing Subsidiary Credit at a rate equal to the rate payable under Section 2.03 of this Agreement; and

(v) interest on the amount of the Additional Financing Subsidiary Credit withdrawn and outstanding from time to time shall be at a rate equal to six percent (6%) per annum.

2. The Recipient shall exercise its rights under the Additional Financing BT Subsidiary Credit Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Original Project. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Additional Financing BT Subsidiary Credit Agreement or any of its provisions.

C. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 agreed with the Association. Each Project Report shall cover the period of one calendar quarter, 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. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.
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 as part of the Project Report, interim un-audited financial reports for the Project covering the calendar 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, commencing with the fiscal year in which the first withdrawal was made. 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. All goods 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

1. The following methods may be used for procurement of goods for those contracts which are specified in the Procurement Plan: (A) Limited International Bidding; (B) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2; (C) Shopping; (D) Direct Contracting; (E) Force Account; (F) Procurement from procurement agents including UN agencies; (G) Established Private or Commercial Practices which have been found acceptable to the Association; (H) International Competitive Bidding, subject to the provisions of paragraph 3.13 (a) of the
Procurement Guidelines; and (I) Community Participation procedures which have been found acceptable to the Association.

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. 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. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $50,000 equivalent per contract may comprise entirely national consultants.

2. Other Methods of Procurement of Consultants’ Services

   (a) Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

   (b) Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

   (c) Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

   (d) Selection Based on Consultants’ Qualifications. Services estimated to cost less than $200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

   (e) Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association’s prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

   (f) Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines
may be procured under contracts awarded to individual consultants in accordance with
the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the
circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts
may be awarded to individual consultants on a sole-source basis.

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 (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods for Part 1:C of the Project</td>
<td>9,830,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services for Part 1:B of the Project</td>
<td>70,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>9,900,000</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, except that withdrawals up to an aggregate amount not to exceed SDR 3,950,000 may be made for payments made prior to this date but on or after December 1, 2009, for Eligible Expenditures under Category (1).

2. The Closing Date is December 31, 2012.
APPENDIX

Section I. Definitions

1. “Additional Financing BT Project Agreement” means the agreement between the Association and BT of even date with this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Additional Financing BT Project Agreement.

2. “Additional Financing BT Subsidiary Credit Agreement” means the agreement to be entered into between the Recipient and BT pursuant to Section 5.01 (a) of this Agreement, as the same may be amended from time to time.


4. “BT” or “Barki Tajik” means 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. 201-5563) or any successor or successors thereto, responsible for implementing the Project and which is party to the Additional Financing BT Project Agreement.

5. “BT PMG” means the project management group within BT, responsible for the implementation, procurement, financial management and environmental management activities of the project.

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


9. “EEMAP” means the Recipient’s Energy Emergency Mitigation Action Plan, approved by the Prime Minister of the Republic of Tajikistan on February 9, 2008, and setting out actions for managing energy supply and mitigating emergencies in the energy sector, as the same may be amended from time to time with the prior approval of the Association, as amended on February 3, 2010.
10. "EMP" means the environmental management plan prepared by the Recipient and satisfactory to the Association in respect of works to be undertaken by the Recipient under Part 1:C of the Project and goods procured under said Part 1:C, focusing on occupational and community health and safety measures, as the same may be amended and supplemented from time to time with the Association’s prior written approval.

11. "General Conditions" means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.

12. "Original Financing Agreement" means the financing agreement for the Energy Emergency Assistance Project between the Recipient and the Association, dated July 17, 2008, as amended to the date of this Agreement (Grant No H372-TJ).

13. "Original Project" means the Project described in the Original Financing Agreement.


15. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated April 5, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

16. "Project Operational Manual" means Project operational manual that was adopted for the Original Project, as amended and adopted for this Project, pursuant to paragraph 3 of Section I.A to Schedule 2 to this Agreement, by the Recipient describing procedures for implementation of the project, consistent with the provisions of this Agreement and including, inter alia, procedures governing the administrative, procurement, accounting, financial management, auditing, and monitoring and evaluation arrangements for the Project; as the same may be amended from time to time with the agreement of the Association.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

"Section 2.07. Refinancing Preparation Advance"
If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank ("Preparation Advance"), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. Suspension by the Association

... (I) Ineligibility. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”