OFFICIAL DOCUMENTS

GRANT NUMBER D4310-TJ

Financing Agreement

(Rural Water Supply and Sanitation Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF TAJIKISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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) apply to and form 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 a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to forty-one million eight hundred thousand Special Drawing Rights (SDR 41,800,000) ("Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

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

2.04. The Payment Dates are June 15 and December 15 in each year.

2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity, and with technical support from MEWR, in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.
ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that the PIE or PMU shall have failed to perform any of their obligations under the Project Implementation Agreement.

4.02. The Additional Events of Acceleration consists of the following, namely the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 (sixty) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) the Project Implementing Entity has adopted the POM, in form and substance satisfactory to the Association;

(b) the Project Implementation Agreement, satisfactory to the Association, has been entered into between the Project Implementing Entity and the PMU.

5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the Signature Date.

5.03. For purposes of Section 10.05 (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 Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:

   Ministry of Finance
   3 Akademikov Rajabovikh Ave.
   Dushanbe, 734025
   Republic of Tajikistan;

(b) the Recipient’s Electronic Address is:

   Facsimile: (992-372) 213329
6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

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

(b) the Association's Electronic Address is:

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

AGREED as of the Signature Date.

REPUBLIC OF TAJIKISTAN

By

Authorized Representative

Name: Mr. Faiziddin Rahkorzoda
Title: Minister of Finance
Date: June 25, 2019

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Mr. Jan-Peter Otters
Title: Country Manager
Date: June 25, 2019
SCHEDULE 1

Project Description

The objectives of the Project are to (i) improve access to basic water supply and sanitation services in the Selected Districts, and (ii) strengthen the capacity of institutions in the water supply and sanitation sector.

The Project consists of the following parts:

Part 1: Water Supply and Sanitation Infrastructure Investments

(a) Investments in Water Infrastructure

Rehabilitation of existing and/or extension of the water supply systems in the Selected Districts through the carrying out of the following activities without being limited to:

(i) in villages close to Vakhsh bulk water supply system, (A) rehabilitation of existing water supply infrastructure related to the Vakhsh bulk water supply pipeline; and (B) minor extension and construction of distribution network to connect to existing systems;

(ii) in villages beyond the Vakhsh bulk water supply system, (A) rehabilitation of existing systems for a cluster of villages located close to one another (where one source will be used to supply multiple villages); and (B) rehabilitation and development of existing systems to serve villages in remote areas and/or remote from the main water sources; and

(iii) conducting training to selected service providers on operation and maintenance of the water supply systems to ensure compliance with the relevant operating manuals, rules and procedures.

(b) Investments in water access, sanitation and hygiene (WASH) conditions of selected social institutions

(i) provision of support to carry out infrastructure investments for Participating Social Institutions located within the rehabilitated and/or extended service area of targeted water utilities including: (A) provision of water supply connections or other solutions (rainwater harvesting, wells, water filters); and (B) retrofitting, replacement or construction of sanitation facilities, handwashing basins, and installation of hygiene rooms within the premises of Participating Social Institutions, where possible;
(ii) provision of Results-based Incentives Sub-grants to Eligible Beneficiaries to gain access to a basic sanitation facility; and

(iii) conducting a school-WASH education program, including training and technical assistance activities for the implementation of comprehensive extra-curricular activities engaging pupils, school staff, and parents to promote the adoption of improved hygiene behaviors in primary and secondary schools.

Part 2: Institutional Strengthening and Capacity Building of Water Sector Institutions

Provision of support to strengthening the capacity of targeted water utilities and increasing the understanding of WASH-related services and planning capacity of other sectoral stakeholders at the national and local levels, through the carrying out of the following activities without being limited to:

(a) at the national level, (i) preparing the National Water and Sanitation Program and financing strategy for the period 2021-2030 to identify water resources availability, priority investments, potential service delivery arrangements and financing requirements; (ii) developing key policies and instruments for sector management and planning; (iii) carrying out activities to support improvements of the financial accountability, operational performance and reporting of KMK and its branches; (iv) review and update of standard designs for sanitation facilities in schools and health centers; and (v) supporting community mobilization and communication campaigns in the preparation and construction of water supply systems and subsequent operation.

(b) at the local level, (i) improvement of the financial and operational performance of participating water service institutions (Vodokanal/Tojikobidehot) through support for tariff setting, billing and collection, financial accountability and reporting; (ii) conducting a comprehensive training program for KMK staff and KMK branches to improve the quality of service provision, respond to customers' needs, build more awareness on customers' rights and duties; (iii) conducting communication campaigns, training workshops and seminars to strengthen the capacity of the targeted service providers, as well as improve understanding of WASH-related services and planning capacity of other sectoral stakeholders at the local levels; (iv) organize and facilitate the implementation and management of local water supply solutions, and where applicable to develop the skills of households in the management of household water supply options; (v) improvement of the citizen engagement approaches adopted by the targeted water utilities in the area, including, but not limited to introduction of customer scorecards system; and (vi) support the development and implementation of social mobilization and communication campaigns in schools and communities during the preparation, implementation and post-construction phases, that will focus on
the sustainable management of water supply systems and sanitation facilities and foster changes in behaviors.

(c) conducting a social mobilization, behavior change communication and social accountability program, including: (i) activities focusing on water supply improvement, and (ii) behavior change communication campaign for hygiene and sanitation marketing.

Part 3: Project Management and Implementation Support

Provision of support to (i) carry out Project management activities, including, monitoring, evaluation, coordination and supervision of the Project, and Project audits; (ii) preparation studies and designs; and (iii) carry out GRM related activities.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For purposes of carrying out the activities under the Project, the Recipient, through MEWR, shall (a) provide adequate technical input and quality control to PIE, (b) ensure overall coordination of the Project; and (c) ensure stakeholder coordination.

2. The Recipient shall cause PIE to maintain, during the entire implementation period, the PMU, with functions, terms of reference, staff and resources acceptable to the Association.

3. (a) To facilitate the carrying out of the activities under the Project, the Recipient shall cause PIE to enter into an agreement with PMU ("Project Implementation Agreement"), to delegate certain implementation functions under the Project, all under terms and conditions satisfactory to the Association.

(b) The Recipient shall cause PIE to exercise its rights and carry out its obligations under the Project Implementation Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall cause PIE to not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

4. The Recipient, by no later than six (6) months after the Effective Date, shall establish or cause to be established and thereafter maintain at all times during the implementation of the Project, an Advisory Council with composition, mandate, and terms of reference satisfactory to the Association.

5. For purposes of carrying out the activities under Part 2 of the Project, the Recipient shall cause PIE to enter into an MOU with MOHSP, not later than six (6) months after the Effective Date, to involve zonal offices and district branches of the National Center of Healthy Life Style.

B. Project Manuals

1. The Recipient shall cause PIE and PMU to implement the Project in accordance with the Project Manuals as follows: (i) the Project Operational Manual to be adopted pursuant to Section 5.01 (a) of this Agreement, and setting forth rules,
methods, guidelines and procedures for the carrying out of the Project, including, *inter alia:* (a) detailed description of the Project and institutional arrangements for its implementation; (b) monitoring, evaluation, reporting, and governance procedures for the Project; (c) disbursement, financial management, auditing and safeguards procedures for the Project; and (ii) the Manual for Result-based Incentives to be adopted, for Part 1 (b) (ii) of the Project, pursuant to Section III.B.1 (b) in Schedule 2 to this Agreement and setting forth, *inter alia:* (a) eligibility criteria, detailed rules and procedures for identification, registration and selection of Eligible Beneficiaries; (b) modalities for documentation and information management; and (c) criteria for verification, in form and substance acceptable to the Association.

2. Except as the Association shall otherwise agree in writing, the Recipient shall cause PIE and PMU not to amend, waive, suspend, or abrogate any provision of the Project Manuals. In case of any inconsistency between any of the provisions of the Project Manuals and those of this Agreement, the provisions of this Agreement shall prevail.

C. **Results-based Incentives Sub-grants**

1. The Recipient shall ensure, through the Project Implementing Entity, that:

   (a) no Eligible Beneficiary shall be eligible to receive a Sub-grant for a Results-based Incentive unless said Eligible Beneficiary has met the requirements as elaborated in the Manual for Household Result-Based Sanitation Incentives; and

   (b) the selection, registration and identification of Eligible Beneficiaries are conducted in an open and transparent manner, all in accordance with the provisions of this Agreement and the Manual for Household Result-Based Sanitation Incentives.

D. **Annual Work Plan and Budget**

1. The Recipient shall cause the PIE to prepare and furnish to the Association not later than March 30 in each calendar year, for the Association’s consideration, a proposed work plan of activities proposed for inclusion in the Project for the following calendar year, containing: (a) a detailed timetable for the sequencing and implementation of proposed Project activities; (b) the types of expenditures required for such activities and a proposed financing plan (including the necessary funds and resources to be provided by the Recipient for such expenditures); (c) any training activities that may be required under the Project; and (d) the reference to each Safeguard Document applicable to said activities in accordance with the provisions of Section I.E of this Schedule 2 and the proposed approach to ensure preparation and implementation of said Safeguard Document during the relevant year.
2. The Recipient shall cause PIE to afford the Association a reasonable opportunity to review and exchange views with the Recipient on each such proposed plan and budget, and thereafter shall ensure that the Project is implemented with due diligence and efficiency in accordance with such work plan and budget as shall have been approved by the Association ("Annual Work Plan and Budget").

E. Safeguards

1. The Recipient shall cause the PIE and PMU to carry out the Project in accordance with the Safeguard Documents, including the guidelines, rules and procedures defined in said Safeguards Documents.

2. To this end, if an ESMP or a RAP is required on the basis of the ESMF or the RPF, the Recipient shall cause PIE and PMU to take the following actions, in a manner acceptable to the Association:

   (a) such ESMP, or RAP shall be prepared in accordance with the requirements of the ESMF or the RPF, consulted and disclosed locally and furnished to the Association for approval; and

   (b) the pertinent Project activity shall be carried out in accordance with such ESMP, or RAP as approved by the Association.

3. If any activity under the Project would involve Affected Persons, the Recipient shall ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement measures under the respective Safeguard Document, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been implemented.

4. The Recipient shall cause PIE and PMU to ensure that no works on a specific site under the Project requiring resettlement and/or land acquisition are commenced until the respective Safeguard Document for said site is fully implemented.

5. The Recipient shall and shall cause PIE and PMU not to amend, suspend or waive, or permit to be amended, suspended or waived, any provision of Safeguard Document without the prior written approval of the Association.

6. In the event that any provision of the Safeguards Documents shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall cause PIE to furnish to the Association each Project Report not later than one month after the end of each calendar quarter, covering the calendar quarter.
Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following 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 custom taxes, including imposts, levies, fees, excise and duties of any nature in effect at the time of each Financing withdrawal)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services, Training and Operating Costs for the Project</td>
<td>41,690,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Results-based Incentives Subgrants under Part I (b) (ii) of the Project</td>
<td>110,000</td>
<td>100% of sub-grant amounts disbursed</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>41,800,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

   (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 110,000 may be made for payments made prior to this date but on or after August 17, 2018, for Eligible Expenditures under Category (1);

   (b) under Category (2) until and unless the PIE had adopted the Manual for Result-based Incentives in form and substance acceptable to the Association.

2. The Closing Date is June 30, 2025.
Section IV. Other Undertakings

Not later than June 30, 2021, the Recipient shall (i) establish, and thereafter maintain, water utilities, for the Selected Districts under the Project, in a manner acceptable to the Association, and as further described in the Project Operating Manual, all equipped with adequate operational and financial systems, acceptable to the Association; and (ii) develop a plan, satisfactory to the Association, to support the sustainability of the said water utilities.
Definitions

1. “Affected Person” means a person who as a result of: (i) the involuntary taking of land under the Project is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood.

2. “Annual Work Plan and Budget” means the Recipient’s annual work plan and budget approved by the Association in accordance with the provisions of Section I.D of Schedule 2 to this Agreement, as said work plan and budget may be modified from time to time with the prior written agreement of the Association.

3. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

4. “Beneficiary Feedback Mechanism” or “BFM” means a system for obtaining and responding to comments, questions, and grievances from any Project beneficiary, including any grievances made regarding Resettlements.

5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

6. “Eligible Beneficiaries” means each physical person who have been declared eligible to receive a Sub-grant pursuant to Section I.C(b) of Schedule 2 to this Agreement and “Eligible Beneficiary” means any of the Beneficiaries.

7. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s environmental and social management framework for the Project, acceptable to the Association and disclosed by the Recipient on December 18, 2018, and on the Association’s website on December 19, 2018, setting forth the mitigating, monitoring, and institutional measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental impacts to levels acceptable to the Association, including the negative list of investments under Subprojects, and the guidelines for the preparation and implementation of the ESMPs (as hereinafter defined) as such framework may be updated from time to time with the Association’s prior written concurrence.
8. “Environmental and Social Management Plan” or “ESMP” means any site-specific environmental and social management plan, acceptable to the Association, to be prepared during Project implementation in accordance with the ESMF, approved by the Association, describing, inter alia, environmental mitigation, monitoring and institutional measures to offset or eliminate any negative impact or reduce them to acceptable levels, related to any Project activity; and “ESMPs” means the plural thereof.


10. “GRM” means Grievance Redress Mechanism as part of the Recipient’s and the Project Implementing Entities’ BFM.

11. “Khojagii Manziliyu Kommunali” or “SUE KMK” means the Recipient’s State Unitary Enterprise established by the Recipient’s Resolution No. 357 dated July 31, 2001, or any successor thereto.

12. “Manual for Result-based Incentives” means the manual referred to in Section I.B.1(ii) of Schedule 2 to this Agreement.

13. “MEWR” means the Recipient’s Minister of Energy and Water Resources or any successor or successors thereto.

14. “MOHSP” means the Recipient’s Ministry of Health and Social Protection or any successor or successors thereto.

15. “MOU” means the memorandum of understanding to be entered between PIE and MOHSP pursuant to Section I.A.5 of Schedule 2 to this Agreement.

16. “National Center of Healthy Life Style” means the Recipient’s organization established pursuant to Order No. 353/2 of the Recipient’s Ministry of Health dated September 17, 1999 or any successor or successors thereto.

17. “Operating Costs” means incremental operating costs incurred by the PMU, MEWR, SUE KMK on account of the Project implementation, management and monitoring, including equipment maintenance and repair, office supplies for the operation, vehicle maintenance and repair, local travel, communication, internet connectivity, translation and interpretation, bank charges, social charges with the exclusion of social charges assessed on salaries of the civil servants, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Association.

18. “Participating Social Institutions” means selected primary and secondary schools, early childhood development centers, as well as health centers and rural health centers.

20. "Project Implementation Agreement" means the agreement to be entered into between PIE and PMU referred to in Section I.A.3 of Schedule 2 to this Agreement and Section I.A.2 of the Schedule to the Project Agreement.

21. "Project Implementing Entity" or "PIE" means the State Unitary Enterprise Khojagii Manziliyu Kommunali or SUE KMK.

22. "Project Implementing Entity’s Legislation" means the Recipient’s Resolution No. 357 dated July 31, 2001, including any amendments thereto or any succeeding legislation.

23. "Project Management Unit" or "PMU" means the Municipal Infrastructure Development Project Management Center established by the Recipient’s Government Resolution No. 408 dated October 1, 2004, as amended by Resolution No. 357 dated September 28, 2005, or any successor or successors thereto.

24. "Project Manuals" means the manuals referred to in Section 1.B of Schedule 2 to this Agreement.

25. "Project Operational Manual" or "POM" means the manual acceptable to the Association, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, including financial procedures, consistent with the provisions of this Agreement, as the same may be amended and supplemented from time to time with the Association’s prior written approval.

26. "Resettlement" means: (i) the involuntary (i.e., an action that may be taken without a person’s informed consent or power of choice) taking of land, including anything growing on or permanently affixed to such land, such as buildings and crops, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the affected persons, and encompassing restrictions on the use of resources imposed on people living outside a park or protected area, or on those who continue living inside the park or protected area during and after Project implementation.

27. "Resettlement Action Plan" or “RAP” means any site-specific resettlement action plan to be prepared by the Recipient and containing, inter alia, a program of actions, measures and policies for compensation of Affected Persons, including budget and cost estimates, and sources of funding, together with adequate
institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback in compliance with its terms for each site.

28. “Resettlement Policy Framework” or “RPF” means the Recipient’s resettlement policy framework, acceptable to the Association, and disclosed by the Recipient on December 18, 2018, and on the Association website on December 19, 2018, said framework setting out, *inter alia*, the policies and procedures for the acquisition of land and other assets, compensation, resettlement and rehabilitation of, *inter alia*, Affected Persons, as the case may be, and for the preparation of site-specific RAPs as may be required for Project activities, as said framework may be revised from time to time with the prior written concurrence of the Association; such term includes all schedules and agreements supplemental to said framework.

29. “Results-based Incentives Sub-grants” means the results-based incentives sub-grants to households (Eligible Beneficiaries) in the Recipient’s Selected Districts, provided through Sub-grants, with the objective of improving sanitation facilities for such households.

30. “Safeguard Documents” means collectively or individually the Environmental and Social Management Framework (ESMF), the Resettlement Policy Framework (RPF), as well as, the Environmental and Social Management Plans (ESMPs) and the Resettlement Action Plans (RAPs) prepared in connection with the Project, as applicable.

31. “Selected Districts” means the following districts in the Recipient’s Kathlon region: Vakhsh, Levakand (Sarband), Kushoniyon (Bokhtar), Dusti (Jilikul), Balkhi (Rumi), Jayhun (Qumsangir), and Vosse, as well as such other districts and districts of the Recipient which may be jointly selected by the Association and the Recipient for the purposes of the Project.

32. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

33. “Sub-grant” means the grant to be made to a Beneficiary referred to in Part 1 (b) (ii) of Schedule 1 to this Agreement, and “Sub-grants” mean, collectively, two or more of such grants.

34. “Training” means expenditures incurred for Project-related study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, travel, *per diem* costs of trainees and trainers and trainers’ fees, all based on an annual budget agreed with the Association.

35. “WASH” means water access, sanitation and hygiene.