Financing Agreement

(Additional Financing for Dushanbe Water Supply Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 1, 2007
AGREEMENT dated February 1, 2007, entered into between 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 the Financing Agreement have the meanings ascribed to them in the General Conditions, in the Appendix to this Agreement or in the Original Financing Agreement, provided that these terms are not defined 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 and a credit in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):

(a) an amount equivalent to one million twenty thousand Special Drawing Rights (SDR 1,020,000) (the Grant); and

(b) an amount equivalent to two million three hundred eighty thousand Special Drawing Rights (SDR 2,380,000) (the Credit).

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2.04 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05 The Payment Dates are March 15 and September 15 in each year.

2.06 The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 3 to this Agreement.

2.07 The Payment Currency is Dollars.

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 the Municipality of Dushanbe in accordance with the provisions of Article IV of the General Conditions and in accordance with the Operational Manual, EMMP and Action Plan, all satisfactory to the Association.

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) The Project Implementing Entity or the Municipality of Dushanbe shall have failed to perform any of their respective obligations under the Project Agreement.

(b) The Operational Manual shall have been amended, suspended, abrogated or waived without the Association’s prior consent.

(c) The Action Plan shall have been amended, suspended, abrogated or waived without the Association’s prior consent.

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

ARTICLE V - EFFECTIVENESS

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

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and DVK.

(b) The Recipient has adopted the Operational Manual, satisfactory to the Association.

5.02. The Additional Legal Matters consist of the following:

(a) The Subsidiary Agreement has been duly authorized or ratified by the Recipient and DVK and is legally binding upon the Recipient and DVK in accordance with its terms.

(b) The Project Agreement has been duly authorized or ratified by DVK and the Municipality of Dushanbe and is legally binding upon DVK and the Municipality of Dushanbe in accordance with its terms.

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

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement 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 for Finance.
6.02. The Recipient’s Address is:

Ministry of Finance
3, Akademikov Rajabovykh Avenue
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) or 1-202-477-6391
Washington, D.C. 64145 (MCI)

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

REPUBLIC OF TAJIKISTAN

By /s/ Safarali Najmuddinov
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Cevdet Denizer
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve the safety, reliability, efficiency and financial viability of the water supply services in Dushanbe.

The Project consists of the Original Project and the following additional parts:

Component 1: Provision and installation of sodium hypo-chlorine equipment for disinfection of water.

Component 2: Rehabilitation of rapid sand filters at the Napornaya Water Treatment Plant.

Component 3: Provision of additional equipment to complement on-going works, in particular, the rehabilitation of booster stations.

Component 4: Provision of technical assistance to DVK to improve institutional and financial management, including employment of consultants for utility management, financial management and accounting, water distribution network zoning and leak detection, as well as the financing of audit services of the Project and DVK.

Component 5: Assistance with Project management, including financing of Operating Costs.
SCHEDULE 2

Project Execution

Section I. Subsidiary Financing, Institutional and Other Arrangements

1. To facilitate the carrying out of the Project the Recipient shall make the proceeds of the Financing available to DVK under a Subsidiary Agreement between the Recipient and DVK, under terms and conditions approved by the Association, which shall include the following:

   (a) The term of the Subsidiary Loan shall be thirty (30) years, including a grace period of five years.

   (b) Interest on the amount of the Subsidiary Loan withdrawn and outstanding from time to time at a rate that shall gradually increase every year for ten years after the grace period to reach five percent (5%).

   (c) The Subsidiary Loan shall be denominated in US Dollars.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. The Recipient shall not assign, amend, arrogate, or waive the Subsidiary Agreement or any of its provisions without prior approval by the Association.

3. The Recipient shall take all measures necessary to ensure that: (a) the Municipality of Dushanbe shall review, in accordance with established procedures, the periodic proposals for tariff adjustments submitted by DVK quarterly; and (b) thereafter, the Municipality of Dushanbe shall promptly take action to adjust said tariffs so that DVK can meet its obligations by collecting sufficient revenues to cover operation and maintenance costs and other expenses.

4. The Recipient shall take all measures necessary to ensure that the Municipality of Dushanbe and the national government agencies shall, after review of the forecast amount of water consumption prepared by DVK every six months: (a) allocate in the relevant operating budgets or budget organizations adequate funds for payment of water fees; and (b) ensure that said funds are paid to DVK.

5. The Recipient and the Municipality of Dushanbe shall take all measures necessary to ensure that DVK is able to collect water fees from its customers, including but not limited to disconnection of non-paying customers.

6. The Recipient shall take all measures necessary to ensure appropriate yearly budgetary allocations required for Project implementation.
7. The Recipient shall ensure that all measures necessary for the carrying out of the EMMP shall be taken in a timely manner.

8. The Recipient, through the PCU, shall prepare and furnish to the Association by November 30 in each year, for its review and concurrence, an annual work program for the Project for the following calendar year, including procurement and financing plans.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and shall cause DVK 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.

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 cause DVK 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 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 and Works. All goods and works required for the Project 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 Schedule.
2. **Consultants’ Services.** All consultants’ services required for the Project 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 Schedule.

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 and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding for works, subject to the additional provisions set forth in the Annex to this Schedule 2</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
</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.
**D. Review by the Bank 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 Bank may 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 Credit and of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least-Cost Selection</td>
</tr>
<tr>
<td>(b) Selection Based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(c) Individual Consultants</td>
</tr>
</tbody>
</table>

**Procurement Method**

- **(a) Least-Cost Selection**
- **(b) Selection Based on Consultant’s Qualifications**
- **(c) Individual Consultants**
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>476,000</td>
<td>204,000</td>
<td>88%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>1,285,200</td>
<td>550,800</td>
<td>88%</td>
</tr>
<tr>
<td>(3) Consultant Services, including audit</td>
<td>333,200</td>
<td>142,800</td>
<td>88%</td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>71,400</td>
<td>30,600</td>
<td>88%</td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>214,200</td>
<td>91,800</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,380,000</strong></td>
<td><strong>1,020,000</strong></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 December 31, 2008.
ANNEX
to
SCHEDULE 2

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

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

Entity responsible for carrying out the procurement

2. The procurement shall be carried out by the “procuring entity” (as defined in Art. 9 of the Law), without any involvement of the Authorized Body on Public Procurement (as referred to in Art. 3 of the Law).

Participation in bidding

3. Government-owned enterprises in Tajikistan shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the procuring entity (as defined in the Law).

4. Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders. In particular, no domestic preference over foreign shall be granted to local bidders in bid evaluation.

Advertising: time for bid preparation

5. Invitations to bid shall be advertised in at least one widely circulated national newspaper, allowing a minimum of 30 days for the preparation and submission of bids.

Standard bidding documents

6. Until a modified version of the Recipient’s standard bidding documents has been approved by the Association, the Association’s sample NCB bidding documents for the Europe and Central Asia Region shall be used.
Qualification criteria and evaluation criteria

7. Qualification criteria shall be clearly specified in the bidding documents, and criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. Bids of bidders not meeting such criteria shall be rejected as non-qualified. Qualifications of a bidder found to meet the specified qualification criteria shall not be taken into account in the evaluation of such a bidder’s bid.

8. Evaluation criteria shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. Evaluation criteria so specified, and only criteria so specified, shall be used in bid evaluation. Merit points shall not be used in bid evaluation.

Bid security

9. For the procurement of goods and works, bidders shall be required to submit a bid security in the amount and in the form specified in the bidding documents, unless otherwise agreed with the Association. A bid security in the form of an advance bank transfer shall not be allowed.

Bid submission and bid opening

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

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

Bid evaluation and award of contracts

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

13. A bid containing material deviations from or reservations to the terms, conditions and specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened.
14. Evaluation of bids shall be made in strict adherence to the criteria specified in the bidding documents, and contracts should be awarded to the qualified bidder offering the lowest evaluated and substantially responsive bid.

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

16. There shall be no post-bidding negotiations between the purchaser and the lowest or any other bidder.
**SCHEDULE 3**

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing March 15, 2017 to and including September 15, 2026</td>
<td>1%</td>
</tr>
<tr>
<td>commencing March 15, 2027 to and including September 15, 2046</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Action Plan” means the Action Plan to Improve Financial and Technical Performance of DVK, as approved by the Municipality of Dushanbe, and as may be amended from time to time with the agreement of the Association.

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


4. “EMMP” means the Environmental Management and Monitoring Plan, satisfactory to the Association, adopted by DVK on September 13, 2000 and amended on October 30, 2006, setting forth measures to mitigate any adverse impacts to the environment.


6. “Municipality of Dushanbe” means the City of Dushanbe of the Recipient, or any successor thereto.

7. “Operating Costs” means operating expenditures incurred by the PCU on account of Project management and implementation for communications, utilities, printing and publications, office rent, maintenance and supplies, office security systems, vehicle operation and maintenance, transportation and field trip expenses, training and such other expenditures as may be agreed upon by the Association.

8. “Operational Manual” means the manual satisfactory to the Association, setting forth procedures and rules related to Project implementation, prepared and adopted by the Recipient, as the same may be amended from time to time with the agreement of the Association.


10. “Original Project” means the Project described in Schedule 2 to the Original Financing Agreement.
11. “PCU” means the Project Coordination Unit established by the Municipality of Dushanbe for the purpose of Project coordination and management.


13. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 15, 2006 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.


15. “Subsidiary Agreement” means the agreement to be entered into between the Recipient and DVK pursuant to paragraph 1 of Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement, and pursuant to which the Recipient shall make the proceeds of the Financing available to DVK. The term “Subsidiary Loan” means the Subsidiary Loan provided under the Subsidiary Agreement.

16. “Subsidiary Loan” means a loan provided by the Recipient to DVK under the Subsidiary Agreement.