

CONFORMED COPY

IDA GRANT NUMBER H200 TJ

Project Agreement

(Municipal Infrastructure Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

KHOCHAGII MANZILIU KOMUNALI

Dated February 21, 2006

IDA GRANT NUMBER H200 TJ

PROJECT AGREEMENT

AGREEMENT dated February 21, 2006, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and Khochagii Manziliu Komunali (KMK).

WHEREAS (A) by the Development Grant Agreement of even date herewith between Republic of Tajikistan (the Recipient) and the Association, the Association has agreed to make available to the Recipient an amount in various currencies equivalent to ten million six hundred thousand Special Drawing Rights (SDR 10,600,000), on the terms and conditions set forth in the Development Grant Agreement, but only on the condition that the KMK agrees to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary grant agreement to be entered into between the Recipient and the KMK, the proceeds of the Grant provided for under the Development Grant Agreement will be made available to the KMK on the terms and conditions set forth in said Subsidiary Loan Agreement;

(C) by a Project Implementation Agreement to be entered between the KMK and PMU on terms and conditions acceptable to the Association, the division of the responsibilities of the KMK and PMU and their respective roles in the implementation of the Project will be determined; and

WHEREAS the KMK, in consideration of the Association's entering into the Development Grant Agreement with the Recipient, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Grant Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) The KMK declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Grant Agreement, and, to this end, shall carry out the Project, with the assistance of the PMU, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and the KMK shall otherwise agree, the KMK shall carry out the Project in accordance with the Operational Manual, the EMP, and with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 1 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The KMK shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 2.03. The KMK shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) starting not later than forty-five (45) days after the first six (6) months from the Effective Date, shall provide to the Association a written report of (a) the results of monitoring and evaluation of the Project, of such scope and in such detail as the Association shall reasonably request; and (b) the status of the agreed performance monitoring indicators for the preceding six (6) months, and, thereafter, furnish to the Association not later than forty-five (45) days after each subsequent semiannual period another report on the same matters which shall cover such semiannual period;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about February 28, 2008, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this

Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Association, by March 31, 2008, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

Section 2.04. (a) The KMK shall, with assistance of the PMU, carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the KMK shall:

- (i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and the KMK, a plan for the future operation of the Project; and
- (ii) afford the Association a reasonable opportunity to exchange views with the KMK on said plan.

Section 2.05. The KMK shall duly perform all its obligations under the Subsidiary Grant Agreement. Except as the Association shall otherwise agree, the KMK shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Grant Agreement or any provision thereof.

Section 2.06. (a) The KMK shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Grant Agreement, and other matters relating to the purposes of the Grant.

(b) The KMK shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of

the purposes of the Grant, or the performance by the KMK of its obligations under this Agreement and under the Subsidiary Grant Agreement.

ARTICLE III

Management and Operations of the KMK

Section 3.01. The KMK shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. The KMK shall at all times operate and maintain its machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and environmental practices.

Section 3.03. The KMK shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The KMK shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) The KMK shall, and shall cause its subsidiaries to be selected under an agreement with the Association to:

- (i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Association) audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon the KMK's reporting obligations set out in Section 2.03 (b), the KMK, with the assistance of the PMU, shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover the period not covered by the previous FMR until the end of such calendar quarter.

ARTICLE V

**Effective Date; Termination;
Cancellation and Suspension**

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Grant Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of the KMK thereunder shall terminate on the date on which the Development Grant Agreement shall terminate in accordance with its terms.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For the KMK:

Khochagii Maziliu Komunali
56 Karabaeva Street
Dushanbe
Republic of Tajikistan

Facsimile:

996 372 217798

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of the KMK, or by the KMK on behalf of the Recipient under the Development Grant Agreement, may be taken or executed by the KMK's Director General or such other person or persons as the KMK's Director General shall designate in writing, and the KMK shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Dushanbe, Republic of Tajikistan, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Cevdet Denizer

Authorized Representative

KHOCHAGII MANZILIU KOMUNALI

By: /s/ Muhammadjon Vohidovich Mamadjonov

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$200,000 equivalent per contract and works estimated to cost less than \$200,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions set forth in the Annex to this Schedule.

2. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract and works estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, 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 \$100,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 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.

2. 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.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines, expected to cost less than \$50,000 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, subject to prior approval of the Association.

Section IV. 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. If the Procurement Plan provides for prior review of contracts for the employment of individual consultants, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. All other contracts shall be subject to Post Review by the Association.

**ANNEX
to
SCHEDULE 1**

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 Schedule 3 to this Agreement allows procurement under paragraphs 3.3 and 3.4 of the Guidelines, shall be procured in accordance with the provisions of the “Law on Public Procurement of Goods, Works and Services of the Republic of Tajikistan”, dated December 12, 1997 (“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 “purchaser” (as defined in Art. 1 of the Law), without any involvement of the “Authorized Procurement Agency” (as referred to in Art. 9 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 purchaser (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 2

Implementation Program

A Project Implementation Management

1. The KMK shall be responsible for the overall management, coordination and implementation of the Project, in a timely and effective manner.

2. The KMK shall enter into the Project Implementation Agreement with the PMU and shall assign to the PMU day-to-day responsibilities for procurement, financial, disbursement and reporting aspects of the Project implementation, including operation of the Special Account, claims for Special Account replenishment, claims for disbursements of the Grant proceeds directly from the Grant Account.

3. The KMK shall not delegate the following responsibilities:

- (i) formulation of the Project implementation policies and strategies;
- (ii) overall coordination and oversight of the implementation of the Project;
- (iii) general coordination of the Project implementation between the Association and the Recipient;
- (iv) review and approval of annual procurement plans under the Project;
- (v) review and approval of withdrawal applications for replenishment of the Special Account and direct payments;
- (vi) review, approval and transmission of quarterly and annual Financial Management Reports (FMRs) and Project Implementation Progress Reports to the Recipient and the Association; and
- (vii) any other responsibilities as the Association shall determine.

4. The KMK shall delegate to the PMU the day-to-day management of the implementation of the Project and assign to the PMU, inter alia, the following responsibilities:

- (i) coordination of the day-to-day management of the Project between the Recipient, the KMK and the Association;
- (ii) preparation, in consultation with the Project Management Consultant (PMC) of annual project implementation programs and Procurement Plans for review by the KMK and the Association;
- (iii) preparation of Environmental Management Plans (EMPs) acceptable to the Association and their implementation in consultation with the Association;
- (iv) procurement;
- (v) supervision of consultants;
- (vi) obtaining necessary decisions, permits and approvals required for MIDP implementation;
- (vii) financial management;
- (viii) disbursement and reporting aspects of the Project implementation, including management of the Special Account and the Project Account, claims for Special Account replenishment, preparation of documentation necessary for disbursements of the Grant proceeds, ensuring preparation of annual audits of the Special Account and the Project Account;
- (ix) assist the KMK in discussions with other donors; and
- (x) management of the monitoring and evaluation of the Project.

B. Actions by the KMK

1. Except as the Association shall otherwise agree, the KMK shall and shall cause the PMU to: (a) apply the criteria, policies, procedures and arrangements set out in the Operational Manual and EMP; and (b) not amend or waive, or permit to be amended or waived the Operational Manual and EMP, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of the Project.

2. KMK shall make available to the PMU the KMK facilities and other resources required for the performance of the PMU responsibilities under the Project Implementation Agreement.
3. The KMK shall establish and maintain supervision and reporting mechanisms over the activities of the PMU, satisfactory to the Association.