

**OFFICIAL
DOCUMENTS**

GRANT NUMBER D037-TJ

Financing Agreement

(Communal Services Development Fund Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *April 30*, 2015

GRANT NUMBER D037-TJ

FINANCING AGREEMENT

AGREEMENT dated *April 30*, 2015, entered into between the REPUBLIC OF TAJIKISTAN ("Recipient") and the 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) 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 ("Financing") in an amount equivalent to nine million six hundred thousand Special Drawing Rights (SDR 9,600,000) to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are April 15 and October 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall: (a) cause KMK to carry out the Project; and (b) upon the establishment of CSDF and compliance with the provisions set forth in Section I.A.4 of Schedule 2 to this Agreement, as determined by the Association, cause CSDF to carry out the Project, all in accordance with the provisions of Article IV of the General Conditions, the Subsidiary Agreement and the Assumption 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) the Subsidiary Agreement, or any provision thereof, shall have been amended, suspended, abrogated, repealed or waived in such a way as to materially and adversely affect, in the opinion of the Association, the ability of KMK to carry out the Project;
 - (b) KMK shall have failed to comply with any of its obligations under the Subsidiary Agreement;
 - (c) KMK and/or the PMU shall have failed to comply with any of their obligations under the Project Implementation Agreement;
 - (d) KMK and/or CSDF, as applicable, shall have failed to comply with any of their obligations under the Assumption Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) the Operational Manual has been adopted by the Recipient in a manner acceptable to the Association;

- (b) the Project Implementation Agreement has been signed by parties thereto in a manner acceptable to the Association;
- (c) the Recipient has amended the PMU Charter to enable the PMU to: (i) carry out the activities and tasks under the Project; and (ii) be transferred from the KMK to the CSDF upon the establishment of the CSDF;
- (d) the Subsidiary Agreement has been signed by the parties thereto in a manner acceptable to the Association; and
- (e) the Recipient has caused the PMU to sign the contract for installation and adaptation of the 1C accounting software for Project accounting, budgeting and reporting under terms and in a manner acceptable to the Association.

5.02. The Additional Legal Matters consist of the following:

- (a) without prejudice to Section 8.02(a) of the General Conditions, the Recipient shall furnish to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association confirming that this Agreement has been duly authorized or ratified by all necessary governmental action;
- (b) the Subsidiary Agreement has been duly authorized by the Recipient and the KMK and is legally binding upon the Recipient and the KMK in accordance with its terms; and
- (c) the Project Implementation Agreement has been duly authorized by KMK and the PMU and is legally binding upon the KMK and the PMU in accordance with its terms.

5.03. The Effectiveness Deadline is the date one hundred and fifty (150) days after the date of this Agreement.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Minister of Finance.

6.02. The Recipient's Address is:

Ministry of Finance
3 Akademikho Rajabovho
Dushanbe, 734025
Republic of Tajikistan

Facsimile:

(992-372) 213320

5.03. 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
Washington, D.C.


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

Name: Abolusalom Qurbanov

Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Soodat Bazarova

Title: Acting Country Manager

SCHEDULE 1

Project Description

The objective of the Project is to improve basic communal and municipal services in participating cities and towns.

The Project consists of the following parts:

Component A: Support for the Establishment of the CSDF and for Required Reforms

Subcomponent A(1): Support for Establishment of the CSDF

Provision of support for the establishment of CSDF, which support consists of identifying and advising on, *inter alia*: (a) the structure and institutional arrangements of CSDF; (b) a grant financing policy; (c) a loan financing policy; (d) the CSDF capitalization strategy; (e) the relevant operational policies and procedures; and (f) the human resource and staffing plans for CSDF.

Subcomponent A(2): Technical Assistance to the National Government

(a) Provision of assistance to the Recipient's government entities in designing reforms to be identified in the Municipal and Communal Services Development Strategy and decentralization reforms in the housing and communal services sector.

(b) Carrying out of feasibility studies for solid waste management non-Project investments.

Component B: Sub-Grants for Municipal and Communal Services Investments

Subcomponent B(1): Sub- Grants for the benefit of Eligible Local Governments and Eligible Local Utility Enterprise

(a) Provision of Sub- Grants based on the criteria acceptable to the Association, to finance investments focused on the rehabilitation and expansion of communal services and municipal infrastructure of Eligible Local Governments and Eligible Local Utility Enterprises.

(b) Provision of technical assistance to Eligible Local Governments and Eligible Local Utility Enterprises in preparing feasibility studies and developing detailed designs for identified Sub-Projects to be financed by Sub Grants.

Subcomponent B(2): Institutional Strengthening Support to Eligible Local Governments and Eligible Local Utility Enterprises in Achieving Results as Stipulated by the Sub- Grants

Provision of support to enable Eligible Local Governments and Eligible Local Utility Enterprises in: (a) preparing Integrated Investment Plans (IIPs) for accessing Sub-grant financing; (b) reinforcing Eligible Local Governments' and Eligible Local Utility Enterprises' financial management through investments in accounting and billing systems; improvements in asset inventories/management and in strengthening internal controls and auditing; (c) optimizing the efficiency of the local vodokanals; (d) increasing community engagement for management and maintenance of investments in water supply and sanitation; and (e) providing training and technical capacity building support said Eligible Entities to improve their capacity to implement and operate the new infrastructure under Sub-projects.

Component C: Implementation Support, Monitoring and Evaluation

Provision of support to the PMU, and, upon establishment of CSDF, to CSDF, all on Project management, implementation, monitoring and evaluation, including: (i) the development and maintenance of a monitoring and evaluation system; and (ii) the carrying out of: (A) Project audits and technical audits of Sub-project design and implementation, including compliance with environmental and social safeguards; and (B) public information campaigns aimed to raise awareness; all through the provision of goods; consultants' services, Training, and Incremental Operating Costs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Without limitation to the provision set forth in Section 3.01 of this Agreement, the Recipient shall: (a) cause the PMU to carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual, the EMF and RPF; and (b) upon establishment of the CSDF and compliance with the provision set forth in Section I.A.4 of this Schedule as determined by the Association, cause CSDF to carry out the Project in accordance with the CSDF Operational Manual, the EMF, RPF and the Assumption Agreement.
2. The Recipient shall cause KMK not to amend, suspend, abrogate or waive any provisions of the Operational Manual or the EMF without the prior approval of the Association.
3. At all times during the implementation of the Project, the Recipient shall provide KMK (through the PMU) within the funds allocated to the Project, with such funds, facilities and resources, including qualified and experienced staff in adequate numbers as set out in the Operational Manual for purposes of carrying out the Project.
4. The Recipient shall: (a) establish the CSDF under terms and in a manner acceptable to the Association; and (b) prior to the carrying out the Project by the CSDF, provide to the Association evidence satisfactory to the Association that:
 - (a) CSDF has been duly established with a structure including a CSDF Supervisory Board, functions, responsibilities and funding acceptable to the Association;
 - (b) The CSDF Operational Manual has been adopted by the Recipient in a manner acceptable to the Association;
 - (c) CSDF has adequate fiduciary, management, disbursement, procurement, and safeguards capacity to carry out the Project;
 - (d) CSDF has: (i) adequate staff with qualifications and experience acceptable to the Association for Project management, appraisal, procurement, audit, disbursement and safeguards; and (ii)

retained a senior water supply and sanitation engineer, and an institutional development specialist under terms and conditions acceptable to the Association;

- (e) The Assumption Agreement has been duly executed by the parties thereto in a manner acceptable to the Association, including a legal opinion, of counsel acceptable by the Association, confirming that the Assumption Agreement has been duly ratified by, and executed and delivered on behalf of the parties thereto and is legally binding upon said parties in accordance with its terms; and
 - (f) The PMU has been transferred to the CSDF in a manner acceptable to the Association.
- 5. The Recipient shall ensure that CSDF shall maintain the requirements under Section I.A.4 (a), (b), (c) and (d) of Schedule 2 to this Agreement throughout the implementation of the Project.
- 6. Within one hundred and fifty (150) days of establishment of the CSDF, the Recipient shall, in consultation with Project stakeholders, adopt a Grievance Redress Mechanism, in accordance with the procedures and guidelines set forth in the Operational Manual and satisfactory to the Association.

B. Project Implementation Agreement

- 1. The Recipient shall cause the KMK to enter into an agreement (the Project Implementation Agreement) with the PMU, on terms and conditions satisfactory to the Association, which shall specify the division of responsibilities and their respective roles in the implementation of the Project.
- 2. The Recipient shall cause KMK to exercise its rights and carry out its obligations under the Project Implementation Agreement, in such a 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 KMK not to assign, abrogate, terminate, waive or fail to enforce the Project Implementation Agreement or any of its provisions.

C. Subsidiary Agreement

- 1. Prior to establishment of CSDF, and to facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the KMK under an agreement (the Subsidiary Agreement) between the Recipient and the KMK, under terms and conditions approved by the Association, which shall

include, *inter alia*, the pertinent obligations set forth in this Agreement as applicable to KMK.

2. The Recipient shall exercise its rights and carry out its obligations 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. Except as the Association shall otherwise agree, the Recipient shall not assign, abrogate, terminate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

D. Assumption Agreement

1. Within thirty (30) days of the establishment of the CSDF, the Recipient shall, and shall cause KMK to, enter into an agreement with CSDF (the Assumption Agreement) under terms and conditions acceptable to the Association, which shall include, *inter alia*: (a) the Recipient's obligation to make the proceeds of the Financing available to CSDF for purposes of carrying out the Project; (b) the obligation of KMK to assign its rights and transfer its obligations under the Subsidiary Agreement and the Project Implementation Agreement to CSDF; and (c) the obligation of CSDF to comply with all the obligations of KMK under the Subsidiary Agreement, including compliance with the Anti-Corruption Guidelines.

E. Anti-Corruption

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

F. Safeguards

1. The Recipient shall cause KMK, through the PMU, to: (i) prior to the commencement of any activity under any given Sub-project under Part B.1 of the Project, carry out the pertinent EIA and thereafter prepare the relevant EMP in accordance with the EMF; and (ii) carry out any given Sub-project in accordance with the respective EMP, and in a manner acceptable to the Association.
2. In the event that any given Subproject involves Resettlement, the Recipient, shall cause KMK, through the PMU, to: (a) prior to the commencement of any works under said Sub-project: (i) prepare a Resettlement Action Plan, acceptable to the Association, in accordance with the Resettlement Policy Framework; (ii) disclose and carry out consultations for said Resettlement Action Plan in accordance with the provisions of the RPF; and (b) thereafter carry out the relevant Sub-project in accordance with the respective RAP, and in a manner acceptable to the Association.

G. Eligibility Criteria and Procedures for Sub-Grants under Subcomponent B(1) of the Project

1. To facilitate the carrying out of Subcomponent B(1) of the Project, the Recipient shall cause KMK, through the PMU, to: (a) select and approve Sub-Projects in accordance with the eligibility criteria and procedures set forth in the Operational Manual, which shall provide, *inter alia*, that the selected Sub-project has been included in the pertinent Integrated Investment plan; (b) make available Sub-grants and administer the proceeds of said Sub-Grants for selected Sub-Projects pursuant to the terms of the Subsidiary Agreement, Project Implementation Agreement, the Operational Manual, the Environmental Management Framework, and the Resettlement Policy Framework; and (c) ensure that Sub- Grant proceeds are used exclusively for the purposes specified in the respective Sub-Projects.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall cause KMK, through the PMU, to: (a) monitor and evaluate the progress of the Project and prepare Project Reports (which shall cover the period of one calendar semester) in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association, which report shall cover the period of one calendar semester; and (b) furnish to the Association each Project Report not later than one month after the end of the period covered by each such report.
2. By June 30, 2017 or such other date as the Association shall otherwise agree, the Recipient shall: (a) cause KMK (through the PMU) to carry out jointly with the Association, a mid-term review (the Mid-term Review) of the implementation of the activities under the Project; and (b) thereafter, implement or cause to be implemented any corrective action as shall have been agreed with the Association.

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 PMU to prepare and furnish to the Association, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited 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 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.
4. The Recipient shall cause PMU to: (a) have its financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the PMU; and (b) ensure that the audited financial statements for each period shall be: (i) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (ii) made publicly available in a timely fashion and in a manner acceptable to the Association.

C. Technical Audits

On a bi-annual basis throughout Project implementation, the Recipient shall cause KMK, through the PMU, to: (a) not later than January 30, 2017 hire an independent external audit firm acceptable to the Association to carry out a technical audit of the Project based on terms of reference acceptable to the Association; (b) ninety (90) days after the hiring of said auditor, prepare a technical audit report on the conclusion of the audit carried out under sub-paragraph (a) above; and (c) provide a copy of the technical audit report prepared under sub-paragraph (b) above to the Recipient and the Association within thirty (30) days of its completion; and (d) implement the recommendations resulting from each bi-annual audit in a manner acceptable to the Association.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:
 - (a) National Competitive Bidding, subject to the following additional provisions set forth in the Annex to this Schedule 2;
 - (b) Shopping; and
 - (c) Direct Contracting.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; and (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants.

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 amount of the Grant Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (exclusive of VAT and customs taxes and fees)
Goods, works, non-consulting services, consultants’ services, Training and Incremental Operating Costs under the Project	9,600,000	100%
TOTAL AMOUNT	<u>9,600,000</u>	100%

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, 2019.

ANNEX TO SCHEDULE 2

NATIONAL COMPETITIVE BIDDING

The procurement procedure to be followed for National Competitive Bidding shall be the tendering with unlimited participation procurement method set forth in Law #168, the Law of the Republic of Tajikistan on "Public Procurement of Goods, Works and Services," dated March 3, 2006 (as amended by Law #815, the Law of the Republic of Tajikistan on "Introduction of Amendments and Additions to the Law of the Republic of Tajikistan on 'Public Procurement of Goods, Works and Services'" dated April 16, 2012) ("the PPL"); provided, however, that such procedure shall be subject to: (a) the provisions of Section I and paragraphs 3.3 and 3.4 of the Procurement Guidelines (as required by paragraph 3.3 of the Guidelines); and (b) the following paragraphs:

Participation in bidding

1. Eligibility: Eligibility of bidders to participate in a procurement process and to be awarded an Association financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines.
2. Domestic Preference: No domestic preference may be applied in bid evaluation on the basis of bidder nationality, the origin of goods, services or labor, and/or preferential programs.
3. Bidding Documents: Procuring entities shall use the appropriate standard bidding documents acceptable to the Association, which documents shall be prepared so as to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines. Until a modified version of the Recipient's standard bidding documents has been approved by the Association, the Association's sample NCB bidding documents for the Europe and Central Asia Region shall be used.
4. Bid Validity: The bid validity period required by the bidding documents shall be sufficient to account for any period that may be required for the approval and registration of the contract as contemplated in the PPL. An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation, award a contract, and/or complete the registration process. No further extensions shall be requested without the prior written concurrence of the Association.

5. Qualification: Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a "pass or fail" basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder's or prospective bidder's capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (iii) capability of construction and/or manufacturing facilities.

Prequalification procedures and documents acceptable to the Association shall be used for large, complex and/or specialized works contracts. Verification of the information upon which a bidder was prequalified, including current commitments and the bidder's capability with respect to personnel and equipment, shall be carried out at the time of contract award. In the procurement of goods and works where prequalification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.

6. Guarantees: Guarantees shall be in the format specified in the bidding documents. The bid guarantee shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested.
7. Bid Submission and Bid Opening: Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids may be delivered by mail or by hand. Bids shall be opened in public immediately after the deadline for their submission. The minutes of bid opening shall be signed by the members of the bidding committee immediately after bid opening. A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids, and to the Association with respect to contracts subject to the Association's prior review. No bids shall be rejected at bid opening.
8. Bid Evaluation and Award of Contracts: Bidders shall not be allowed to be present during bid evaluation, and no information relating to the evaluation of bids shall be disclosed to bidders until the bidders are notified of the contract award.

Evaluation criteria shall be clearly specified in the bidding documents. Evaluation of bids shall be made in strict adherence to the criteria specified in the bidding documents. All bid evaluation criteria other than price shall be quantifiable in monetary terms. Merit points shall not be used, and no minimum

point or percentage value shall be assigned to the significance of price, in bid evaluation. Bidders shall not be eliminated on the basis of minor, nonmaterial deviations. Contracts shall be awarded to the qualified bidder whose bid has been determined: (i) to be substantially responsive to the bidding documents; and (ii) to offer the lowest-evaluated cost.

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

9. Cost Estimates: Cost estimates shall be confidential and shall not be disclosed to prospective bidders. No bids shall be rejected on the basis of comparison with the cost estimates and/or budget ceiling without the Association's prior written concurrence.
10. Rejection of Bids and Re-bidding: No bids shall be rejected solely because they fall outside a pre-determined margin or "bracket" of prices. All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association's prior written concurrence.
11. Contract Modifications: With respect to contracts subject to the Association's prior review, the Recipient shall obtain the Association's no objection before agreeing to: (i) a material extension of the stipulated time for performance of a contract; (ii) any substantial modification of the contract scope of services or other significant changes to the terms and conditions of the contract; (iii) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than fifteen percent (15%); or (iv) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.
12. Fraud and Corruption: The bidding documents and contract as deemed acceptable by the Association shall include provisions stating the Association's policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.
13. Inspection and Audit Rights: In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association's inspection and audit rights provided for

in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means 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.
2. “Assumption Agreement” means the agreement referred to in Section I.D of Schedule 2 to this Agreement.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Communal Services Development Fund” or “CSDF” means the fund established by the Recipient’s Presidential Decree, to the satisfaction of the Association, which is authorized to on-lend and on-grant funds to Eligible Entities.
5. “CSDF Operational Manual” means the operational manual, satisfactory to the Association, to be adopted by CSDF pursuant to Section I.A.4(b) of Schedule 2 to this Agreement, and setting out the operational and administrative procedures for the establishment and operation of the CSDF, as the same may be amended from time to time with the agreement of the Association.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
7. “Eligible Entity” means an Eligible Local Government or an Eligible Local Utility Enterprise, as the case may be.
8. “Eligible Local Governments” means any local government eligible for Sub-Projects in accordance with the Sub-Grant allocation mechanism and eligibility criteria set forth in the Operational Manual and, once adopted, as set forth in the CSDF Operational Manual.
9. “Eligible Local Utility Enterprise” means any local utility eligible for Sub-Projects in accordance with the Sub-Grant allocation mechanism and eligibility criteria set forth in the Project Operational Manual and, once adopted, as set forth in the CSDF Operational Manual.

10. “Environmental Impact Assessment” or “EIA” means the environmental impact assessment, acceptable to the Association, for any given Sub-project, to be undertaken by the pertinent Eligible Entity, consisting of, *inter alia*: (i) a detailed description of the baseline, of the sites where the Sub-project activities are to be carried out; (ii) the potential environmental and social impacts of the activities referred to under paragraph (i) above; and (iii) an EMP setting out good practices and measures to be taken during the implementation and operation of the Sub-project to mitigate, eliminate or otherwise offset adverse environmental impacts under the Project as well as to monitor their effects.
11. “Environmental Management Framework” or “EMF” means the instrument dated January 30, 2015, acceptable to the Association, prepared and endorsed by the Recipient and disclosed in-country, and through Infoshop on February 2, 2015, setting forth the guidelines and procedures to carry out and assess the environmental and social impacts of Sub-projects, including guidelines on how to reduce, mitigate and/or offset adverse impacts and enhance positive impacts, and information on main roles and responsibilities for addressing the pertinent Sub-project impacts.
12. “Environmental Management Plan” means the site-specific document acceptable to the Association, defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities under the pertinent Sub-Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular monitoring and feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with the Association’s prior written approval.
13. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
14. “Grievance Redress Mechanism” means the system aimed to receive grievances occurrence of which might be associated with the Project activities, to be carried out in accordance with the terms set forth in the CSDF Operational Manual.
15. “Incremental Operating Costs” means incremental expenditures incurred by the PMU and: (a) the KMK (prior to the establishment of CSDF); and (b) upon its establishment, CSDF, on account of Project implementation, management and monitoring, including: dissemination of Project related information, in-country travel costs, lodging and *per diem* for field trips related to Project implementation, at the rates specified under the financial management requirements set forth in the Operational Manual; vehicle insurance, rent and acquisition, and maintenance; supplies and utilities; salaries of contractual staff; mail, advertisement costs, translation costs, commercial bank charges,

communication costs, office equipment and maintenance, including maintenance of hardware and software; as such costs shall be agreed with the Association on an annual basis, but excluding salaries of officials and/or employees of the Recipient's civil service as well as any Social Charges on their salaries.

16. "Integrated Investment Plan" means a plan, prepared annually by an Eligible Local Government, agreed upon by the Eligible Local Government, Eligible Local Utility Enterprise and the KMK, and upon its establishment, by CSDF, listing the Eligible Local Government's investment priorities and Sub-projects proposed to be financed under the Project.
17. "KMK" means Khojagiyi Manziliyu Kommunal, the State Unitary Enterprise established by Resolution No. 357 of the Recipient as a legal entity, dated July 31, 2001, or any successors thereto.
18. "Municipal and Communal Services Development Strategy" means a strategy developed by or on behalf of the Recipient, presenting long-term vision, strategic objectives, challenges, and an action plan for ensuring equal access to municipal and communal services for Tajik residents.
19. "Operational Manual" means the operational manual, satisfactory to the Association, adopted by KMK and setting out the operational and administrative procedures for the implementation of the Project, as the same may be amended from time to time with the agreement of the Association.
20. "PMU Charter" means a set of regulations according to which the PMU is operated.
21. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
22. "Procurement Plan" means the Recipient's procurement plan for the Project, dated January 30, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
23. "Project Implementation Agreement" means the agreement referred to in Section I.B. of Schedule 2 to this Agreement.
24. "Project Management Unit" or "PMU" means the Project Implementation Unit established by the Recipient's Resolution No. 408, dated October 1, 2004, as amended by Resolution No. 357, dated September 28, 2005, for the purposes of day to day Project management, or any successor or successors thereto.

25. "Resettlement" means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.
26. "Resettlement Action Plan" or "RAP" means the site-specific documents, to be adopted by the Recipient, pursuant to paragraph 2 of Section I.F of Schedule 2 to this Agreement, and acceptable to the Association, containing, *inter alia*, a program of actions, measures and policies for compensation and resettlement of persons, including compensation and resettlement arrangements, 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 on compliance with its terms for the site, including the RAP.
27. "Resettlement Policy Framework" or "RPF" means the framework dated February 5, 2015, acceptable to the Association, prepared and endorsed by the Recipient and disclosed in-country, and through Infoshop on February 11, 2015 setting forth resettlement procedures, institutional arrangements, eligibility criteria, entitlements and compensation, including valuation procedures, public consultation and participation, monitoring and evaluation and disclosure criteria to be applied in preparing a Resettlement Action Plan.
28. "Sub-Grant" means any grant made or proposed to be made out of the proceeds of the Financing in support of any given Sub-Project.
29. "Social Charges" means any payments, premia, or contributions for health benefits, unemployment benefits, disability insurance, workers' compensation benefits, retirement (pension or social security) benefits, and life insurance, which constitute payment for the drawdown of future benefits to the staff concerned.
30. "Sub-Project" means any investment referred to in Sub-component B.1 of the Project.
31. "Subsidiary Agreement" means the agreement referred to in Section I.C of Schedule 2 to this Agreement.
32. "Training" means 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, based on an annual budget agreed with the Association.