Financing Agreement

(Tax Administration Reform Project)

between

REPUBLIC OF TAJIKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 14, 2012
FINANCING AGREEMENT

AGREEMENT dated 24th June, 2012, entered into between REPUBLIC OF TAJIKISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to eleven million nine hundred thousand Special Drawing Rights (SDR 11,900,000) ("Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section 1 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 United States Dollars.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Tax Committee in accordance with the provisions of Article IV of the General Conditions.

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 — EFFECTIVENESS; TERMINATION

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

   (a) The TC has prepared the Project Operational Manual satisfactory to the Association.

   (b) The TC has hired financial management and disbursement specialists with terms of reference and qualifications acceptable to the Association.

   (c) The TC has procured and signed a contract for financial management software, acceptable to the Association, for carrying out project accounting, budgeting and reporting.

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

4.03. 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 V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Minister of Finance.

5.02. The Recipient’s Address is:

Ministry of Finance
3, Akademic Rajobovkho Avenue
Dushanbe, 734025
Republic of Tajikistan

Faesimile:

(992-372) 213329

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 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

[Signature]

Authorized Representative

Name: Safarali Tajiev

Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Marsha M. Olive

Title: Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to reform the tax administration in order to: (i) enhance the level of voluntary compliance; (ii) strengthen the effectiveness of the Tax Committee to fight tax evasion; (iii) strengthen the institutional and human capacity in order to improve the professionalism of tax officials and reduce the avenues for corruption; and (iv) modernize the processes that would help reduce administrative cost for the government and compliance burden for taxpayers.

The Project consists of the following parts:

Part 1. Institutional Development

Sub-part (a) Organization and Management

Developing strategic planning and restructuring of field offices to increase efficiency through the provision of consultants’ services and training to enhance capacity in modern tax organizational structure.

Sub-part (b) Human Resources Management

Improving human resources policies, workforce planning, and staff transition plan as part of the modernization process, through the provision of consultants’ services; installing a Human Resources Management Information System through purchase of equipment, and training to enhance capacity in current trends in human resources management.

Sub-part (c) Training

Developing training policies and strategy, curriculum, and e-learning and distance learning, through provision of consultants’ services; establishing regional training facilities through purchase of equipment, and training to enhance capacity of tax training institute and e-learning applications.

Part 2. Operational Development

Strengthening analytical capacity of the MOF and TC for tax policy, augmenting skills of Tax Committee inspectors in auditing for detection of fraud, enhancing capacity of TC staff to enforce collection, improving internal controls and internal audit, revamping taxpayer services, including establishment of a modern call center, and supporting the development of an independent tax appeals systems with database for tracking of appeals cases, through the provision of consultants’ services, purchase of equipment, and training.
Part 3. ICT Infrastructure and System Modernization

Upgrading ICT in the Tax Committee to automate routine processing of returns, calculation of taxes, desk audit, and other tax administration functions, through provision of equipment, including development of an Integrated Tax Management System and establishment of data centers.


Strengthening the Tax Committee’s capacity to provide project implementation, through the provision of consultants’ services and incremental operating costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Not later than thirty (30) days after the Effective Date of this Agreement, the Recipient shall establish and maintain a Project Coordination Council with representatives of the key stakeholders, led by the Chairman of the Tax Committee, and with terms of reference acceptable to the Association.

2. Not later than seven (7) days after the signature of this Agreement, the Recipient will ensure that the Chairman of the Tax Committee appoints as Project Director a Deputy Chairman of the TC and that a Deputy Chairman of the TC acts as Project Director throughout Project implementation. The Project Director, whose terms of reference shall be acceptable to the Association, shall exercise fiduciary responsibilities and ensure project implementation.

3. The Recipient shall ensure that the Tax Committee establishes, by not later than thirty (30) days after the Effective Date of this Agreement, and maintains a Project Implementation Unit ("PIU"), with adequate staffing and resources, within the TC’s Tax Service Development and Modernization Department.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report, interim 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, commencing with the fiscal year in which the first withdrawal was made for the Project. 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. The Association will publish the audit reports in accordance with its Access to Information Policy. The Recipient will publish the audit reports in a manner satisfactory 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) Limited International Bidding;
(b) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2;
(c) Shopping; and
(d) 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;
(f) Selection of Individual Consultants; and
(g) Single-source 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 amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services, Training and Incremental Operating Costs for the Project</td>
<td>11,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>11,900,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2017.
ANNEX TO
SCHEDULE 2

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 1 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, 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 15 percent; 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

Section I. Definitions


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


5. “ICT” means information and communications technology.

6. “Incremental Operating Costs” means incremental operating costs incurred by the TC on account of Project implementation, management and monitoring, including the PIU consultants’ salaries and social charges, office and equipment maintenance and repair, vehicle maintenance and repair, local travel, communication, translation and interpretation, bank charges, consumables, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Association.


8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 15, 2012 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.

9. “Tax Committee” or “TC” means the Tax Committee of the Republic of Tajikistan.

10. “Training” means expenditures for Project-related study tours, training courses, seminars, workshops and other training activities not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, travel and per diem costs of trainees and trainers.
11. "United States Dollars" and "$" mean the legal tender of the United States of America.