
GRANT NUMBER 0152-TAJ(SF)

GRANT AGREEMENT
(Special Operations)
(Crisis Recovery Support Program)

between

REPUBLIC OF TAJIKISTAN

and

ASIAN DEVELOPMENT BANK

DATED 7 JULY 2009

LPS:TAJ 43098

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 7 July 2009 between the REPUBLIC OF TAJIKISTAN ("the Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Recipient a policy development commitment letter dated 9 June 2009 (the "Policy Letter"), setting forth certain objectives, policies and actions, described in Schedule 1 to this Grant Agreement, designed to develop the Recipient's Crisis Recovery Support Program (the "Program");

(B) the Recipient has applied to ADB for a grant from its Special Funds resources for the purposes of the Program;

(C) ADB has, on the basis inter alia of the foregoing, agreed to provide a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 (the "Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(15) is deleted and the following is substituted therefor:

24. The term "Program" means the program for which ADB has agreed to make the Grant, as described in the Grant Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Recipient.

(b) The term "Project" wherever it appears in the Grant Regulations shall be substituted by the term "Program".

(c) Section 2.01(17) is deleted and the following is substituted therefor:

26. The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Grant Agreement.

(d) The term "Project Executing Agency" wherever it appears in the Grant Regulations shall be substituted by the term "Program Executing Agency".

(e) Section 5.01(a) is deleted and the following is substituted therefor:

(a) Subject to any conditions or restrictions specified in the Grant Agreement, the Recipient shall be entitled to withdraw from the Grant Account such amounts as shall be required to meet payments for expenditures required for the Program and to be financed under the Grant Agreement.

Section 1.02. The terms defined in the Grant Regulations are incorporated into this Grant Agreement, unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "Counterpart Funds" means the Somoni proceeds generated from the proceeds of the Grant and deposited by the Recipient in the Special Account in accordance with paragraph 1 of Schedule 4 to this Grant Agreement;

(b) "Deposit Account" means the account referred to in paragraph 4 of Schedule 2 to this Grant Agreement;

(c) "Eligible Items" means the goods, works and services imported under the Program (except those specifically excluded pursuant to the Attachment 1 to Schedule 2 to this Grant Agreement), the foreign exchange costs of which are eligible for financing out of the proceeds of the Grant;

(d) "Program Executing Agency" means, for the purposes of, and within the meaning of, the Grant Regulations the Ministry of Finance or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program; and

(e) "Somoni" means the lawful currency of the Recipient.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources on terms and conditions set forth in this Grant Agreement an amount of forty million Dollars (\$40,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Program in accordance with the provisions of this Grant Agreement.

Section 3.02. The proceeds of the Grant may be withdrawn from the Grant Account only for the purposes of financing foreign currency expenditures incurred for Eligible Items under the Program in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, all Eligible Items to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account shall be made only on account of expenditures relating to Eligible Items which:

- (a) are produced in, and are supplied from, such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2009 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Program, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant Agreement.

Section 4.02. (a) The Recipient shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Grant and to record the progress of the Program.

(b) The Recipient shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) above.

Section 4.03. (a) As part of the reports and information referred to in Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the Counterpart Funds and the use thereof; and (ii) the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: all policy actions, as set out in Attachment 2 to Schedule 2 of this Grant Agreement, shall have been satisfied, and there has been no action on the part of the Recipient which materially reverses the objectives of the Program and the Recipient has maintained appropriate macroeconomic policy framework.

Section 5.02. A date thirty (30) days after the date of this Grant Agreement is specified for the effectiveness of the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Finance
3 Akademikov Rajabovikh Street
734025 Dushanbe City
Tajikistan

Facsimile Number:

992 (372) 213 329
992 (372) 216 237.

For ADB


Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636 2444
(632) 636 2424.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

REPUBLIC OF TAJIKISTAN

By 
Authorized Representative

ASIAN DEVELOPMENT BANK

By 
MAKOTO OJIRO
Country Director
Tajikistan Resident Mission

SCHEDULE 1**Description of the Program**

1. The principal objective of the Program is to assist the Recipient in mitigating the impact of and in the recovery from, the global financial crisis. The Program will help the Recipient to fund essential budgetary expenditures and sustain delivery of Recipient's core publicly-funded programs and activities, and to maximize the impact of the Recipient's crisis mitigation measures. The Program is described in more detail in the Policy Letter.
2. In support of the Program:
 - (a) the proceeds of the Grant shall be used to finance the costs of Eligible Items; and
 - (b) the Counterpart Funds shall be used to finance the local currency costs relating to the implementation of certain programs and other activities consistent with the objectives of the Program, pursuant to the provisions of paragraph 2 of Schedule 4 to this Grant Agreement.
3. The proceeds of the Grant are expected to be utilized by 31 December 2009.

SCHEDULE 2

Allocation and Withdrawal of Grant Proceeds

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Grant proceeds from the Grant Account.

2. (a) Withdrawals from the Grant Account shall be made for the financing of Eligible Items.

(b) No withdrawals from the Grant Account shall be made in respect of any expenditures which have been financed by grants or credits from official international or bilateral aid agencies or any other grants or loans made by ADB

3. (a) Any application for withdrawal from the Grant Account shall be submitted to ADB by the Recipient and shall be in a form satisfactory to ADB.

(b) Such withdrawal application shall be accompanied by a certificate of the Recipient confirming that with respect to the year during which the proceeds of the Grant are expected to be disbursed, the value of Eligible Imports is expected to be equal to or greater than the Grant amount expected to be disbursed during such year.

(c) For the purposes of this paragraph, the term "Eligible Imports" means the total imports of the Recipient during the relevant period minus the imports for ineligible items specified in the Attachment 1 to this Schedule during the same period.

4. (a) Prior to submitting the application to ADB for withdrawal from the Grant Account, the Recipient shall nominate a foreign currency account (the "Deposit Account") at the National Bank of Tajikistan ("NBT") into which all withdrawals from the Grant Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Recipient shall have the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

(c) Throughout the Program implementation period, the Recipient shall submit trade statistics and any other information as ADB may require from time to time to assess the Recipient's compliance with the formula for determining Eligible Items.

(d) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial affairs as such relate to the Program from time to time with the auditors appointed by the Recipient pursuant to sub-paragraph (b) above, and shall authorize and

require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Recipient, unless the Recipient shall otherwise agree.

5. If ADB determines at any time that (i) any portion of the Grant proceeds remains unutilized by 31 December 2009, or (ii) any payment out of the Grant proceeds was not made for Eligible Expenditures or was not supported by evidence satisfactory to ADB, the Recipient shall, promptly upon notice from ADB, provide such additional evidence as ADB may request, or refund to ADB the unutilized amount of the Grant proceeds and the amounts of such ineligible payments.

Negative List

No withdrawals shall be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Recipient:

Table A12: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

- (ii) expenditures in the currency of the Recipient or for goods, works, or services produced in or supplied from the territory of the Recipient;
- (iii) expenditures for goods, works or services produced in or supplied from countries that are not members of ADB;
- (iv) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (v) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (vi) expenditures for narcotics;
- (vii) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party; and
- (viii) expenditures on account of any payment prohibited by the Recipient in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

Policy Actions for the Program

In order to release the Grant proceeds, the following policy actions shall have been complied with:

1. The Recipient shall have established the Inter-ministerial Crisis Committee responsible for formulating and implementing crisis mitigation response.
2. The Recipient shall have adopted the crisis mitigation action plan covering monetary, fiscal and financial sector policies and social protection.
3. The Recipient shall have revised its 2009 budget to prioritize social spending and scaling back non-critical expenditures (i.e., the "crisis-budget").
4. The Recipient shall have adopted a comprehensive and time-bound action plan to implement all recommendations of the special audit of the NBT.
5. The executive summary of the NBT's special audit shall have been published.
6. The external audit of NBT's net international reserves as of 31 December 2008 shall have been completed.
7. The external auditor of NBT shall have been selected among the reputable international auditing firms, satisfactory to ADB, and appointed.
8. Amendments to the NBT Law and the Commercial Banking Law to enhance central bank autonomy, disclosure of beneficial owners of companies, minimize conflict of interest, in form and substance satisfactory to ADB, shall have been submitted to the Recipient's Parliament.

SCHEDULE 3

Procurement and Consulting Services

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of Eligible Items to be financed out of the proceeds of the Grant.

2. (a) Except as provided in subparagraph (b) of this paragraph, each contract for Eligible Items shall be awarded on the basis of either the purchaser's normal commercial procurement practices, in the case of procurement by the private sector, or the Recipient's prescribed procurement procedures, in the case of procurement by the public sector, having due regard for the principles of economy and efficiency.

(b) Each supply contract for Eligible Items which are commonly traded commodities shall be awarded on the basis of procedures appropriate to the trade and acceptable to ADB.

SCHEDULE 4

Implementation and Other Matters

Sub-account of the Treasury Single Account

1. (a) Immediately after the Effective Date, the Recipient shall establish, in a manner satisfactory to ADB, a sub-account of the Treasury Single Account at the NBT for the specific purpose of depositing and utilizing the Counterpart Funds (the "Special Account").

(b) Whenever the Recipient withdraws proceeds of the Grant from the Grant Account, the Recipient shall promptly, but not later than within five (5) days of the withdrawal, deposit into the Special Account the Somoni amounts equivalent to the amount of the proceeds so withdrawn. Promptly after the deposit of the Counterpart Funds into the Special Account, the Recipient shall furnish to ADB an official notification confirming the amount of the Grant proceeds deposited into the Deposit Account, their conversion into a Somoni equivalent, and its deposit into the Special Account, specifying the date of such transactions and the exchange rate applied.

(c) Except as ADB may otherwise agree, the Counterpart Funds shall be utilized not later than 31 December 2009, to meet the expenditures to be incurred pursuant to the provisions of paragraph 2 below.

(d) The Recipient shall ensure that NBT furnishes to ADB, on a monthly basis, the Special Account's statements of account, which include the following information: (i) the dates and amounts withdrawn; (ii) Ministry of Finance's official certification on the purpose of the withdrawals identifying the specific budget expenditure categories to be funded. Such monthly statements shall be furnished to ADB not later than by the fifteenth (15th) of the succeeding month.

(e) Separate accounts and records in respect of the Special Account shall be maintained in accordance with consistently maintained sound accounting principles and shall be audited annually by independent auditors acceptable to ADB in accordance with sound auditing standards. Certified copies of such audited accounts and records shall be furnished to ADB promptly after their preparation but in any event not later than six (6) months after the close of the fiscal year to which they relate, or not later than six (6) months after the date of the closing of the Grant Account, as the case may be.

Use of Counterpart Funds

2. The Recipient shall ensure that the Counterpart Funds shall be used to finance, in accordance with Recipient's public finance management procedures and reporting arrangements, satisfactory to ADB, immediate budgetary expenditures arising from the impact of the global financial crisis and essential public expenditures incurred to sustain delivery of core publicly-funded measures and activities under the Program and shall, in particular, provide necessary budget appropriations to allow withdrawals from the Special Account in support of (a) subventions to poor regions (local governments), (b) employment program, (c) social assistance, (d) utility, food, medicine and telecommunications expenditures in education, health and social protection under the republican budget, and (e) other priority social safety net measures and activities of the crisis mitigation plan

implemented by the Recipient satisfactory to ADB. In terms of the support for the subventions to poor regions mentioned above, the relevant utility expenses and food expenditures in education, health and social protection shall be fully covered.

Program Implementation

3. The Recipient shall: (a) ensure that the policies adopted and actions taken as described in the Policy Letter, prior to the date of this Grant Agreement continue in effect during the Program period and thereafter; and (b) implement other policies and take other actions consistent with those specified in the Policy Letter, and ensure that all policy actions specified in Attachment 2 to Schedule 2 will continue in effect during the Program period and, as appropriate, thereafter.

4. The Recipient shall update ADB on the implementation of the Program and shall ensure that necessary support is provided to ADB to review and monitor the status of key indicators agreed to with ADB.

5. The Recipient shall furnish to ADB a certified copy of the state budget execution report for 2009 as submitted to the Parliament of the Recipient by 30 June 2010, with a certified English translation of the relevant parts thereof, providing specifically information on: (a) intergovernmental fiscal transfers from the republican to the local budget accounts; (b) expenditures by education, health and social protection institutions; and (c) financial flows on bank accounts related to regular and special safety net programs. The Recipient shall furnish to ADB a certified copy of the opinion of the Recipient's auditor general on such report by 30 November 2010, with a certified English translation of the relevant parts thereof.

6. The Recipient shall furnish to ADB a certified copy, in the English language, of the externally audited annual report of the NBT in accordance with International Financial Reporting Standards for the fiscal year 2009 by 30 June 2010.

7. The Recipient shall ensure that the Grant proceeds are not used to finance expenditures other than the Eligible Items.

8. As the Program Executing Agency, the Ministry of Finance shall have the overall responsibility for implementing the Program, including, but not limited to, the maintenance of all Program records, reporting to ADB, and administering the Grant withdrawals and the allocation and appropriation of the Counterpart Funds.

Policy Dialogue

9. The Recipient shall keep ADB informed of, and the Recipient and ADB shall from time to time exchange views on, (a) the implementation of the various anti-crisis measures adopted under the Program, and (b) additional reforms arising during the Program period that may be considered necessary or desirable.

10. The Recipient shall promptly discuss with ADB problems and constraints encountered during implementation of the Program, and appropriate measures to overcome or mitigate such problems and constraints.

11. The Recipient shall ensure that necessary support is provided to ADB to review and monitor the status of key indicators under the Program. The Recipient shall keep ADB informed of its policy discussions with other multilateral or bilateral agencies that have implications for implementation of the Program, and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Recipient shall take ADB's view into consideration before finalizing and implementing any such proposals.

Good Governance and Transparency

12. The Recipient shall comply with ADB's *Anticorruption Policy* (1998, as amended to date). The Recipient, consistent with its commitment to good governance, accountability and transparency, agrees (a) that ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Program, and (b) to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as such relate to Program and may be necessary for the satisfactory completion of any such investigation.

Safeguards Compliance

13. The Recipient shall ensure that ADB's *Environment Policy* (2002) and *Involuntary Resettlement Policy* (1995) are complied with in the implementation of any activities financed from the proceeds of the Grant.