

# OFFICIAL DOCUMENTS

## The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.  
Washington, D.C. 20433  
U.S.A.

(202) 473-1000  
Cable Address: INTBAFRAD  
Cable Address: INDEVAS

January 30, 2017

Mr. Adylbek Kasymaliev  
Minister of Finance  
Ministry of Finance  
58 Erkindik Blvd.  
Bishkek City, 720040  
Kyrgyz Republic

Dear Mr. Kasymaliev,

***KYRGYZ REPUBLIC: ECAPDEV Project Preparation Grant for the proposed  
Heat Supply Improvement Project (TF0A3993)  
Letter Agreement***

In response to the request for financial assistance made on behalf of Kyrgyz Republic (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”), acting as administrator of grant funds provided by various donors (“Donors”) under the Multi-Donor Programmatic Trust Fund for Europe and Central Asia Region Capacity Development (ECAPDEV) (TF071624), proposes to extend to the Recipient, a grant in an amount not to exceed three hundred ninety-nine thousand five hundred forty United States Dollars (USD 399,540) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Agreement does not constitute or imply any commitment on the part of World Bank to assist in financing the proposed Heat Supply Improvement Project; and (b) it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Sincerely,

**INTERNATIONAL DEVELOPMENT ASSOCIATION**



By \_\_\_\_\_  
Lilia Burunciuc  
Regional Director  
Central Asia

**AGREED:**

**KYRGYZ REPUBLIC**

By  \_\_\_\_\_  
Authorized Representative

Name Adylbek Kasymaliev

Title Minister of Finance

Date: June 7, 2017

**Enclosures:**

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
- (3) 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, and as of July 1, 2016
- (4) Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011 and revised in July 2014
- (5) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011 and revised in July 2014

**Article I**  
**Standard Conditions; Definitions**

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 (“Standard Conditions”) constitute an integral part of this Agreement.

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

The following definitions will have the following meanings:

- (i) “Heat Supply Improvement Project” means the proposed project for the preparation of which the World Bank has made the Grant available and in support of which the Recipient has requested or intends to request the World Bank’s financial assistance.
- (ii) “Project Implementing Entity” or “PIE” means the Bishkekteploset Open Joint Stock Company, a legal entity established pursuant to the Registration Certificate no.15573-3300-AO dated April 12, 2007, issued by the Recipient’s Ministry of Justice and functioning according to its charter approved by the shareholders’ general meeting dated April 9, 2015.
- (iii) “Implementing Entity’s Legislation” means the PIE’s charter approved by the shareholders’ general meeting dated April 9, 2015.
- (iv) “PIU” means the project implementation unit within the PIE established pursuant to PIE’s Order No. 68 dated April 27, 2015.
- (v) “Rules of Operation” means the World Bank’s set of rules and procedures dated July 2014 applicable to the Multi-donor Programmatic Trust Fund for Europe and Central Asia Region Capacity Development (ECAPDEV), containing *inter-alia*: the criteria for eligible countries, the approval process for grants, the financing thresholds of Eligible Expenditures and the applicable governance arrangements; as the same may be amended from time to time by agreement between the Donors of ECAPDEV and the World Bank.
- (vi) “Social Charges” means any payments or contributions for health benefits, unemployment benefits, disability insurance, workers’ compensation benefits, retirement (pension or social security) benefits, and life insurance, or any other benefits according to the Recipient’s legislation.
- (vii) “Training” means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and

workshop preparation and implementation (but excluding goods and consultants' services).

- (viii) "Incremental Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of the Project implementation, consisting of banking charges, communication expenses and equipment, translation services, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and *per diem* for Recipient's staff for travel linked to the implementation of the Project, and salaries and Social Charges of contractual staff for the Recipient, (but excluding consultants' services and salaries of officials of the Member Country) and other reasonable costs directly associated with implementation of Project activities as approved by the World Bank.

## **Article II Project Execution**

2.01. ***Project Objectives and Description.*** The objective of the Project is to enhance implementation readiness of investments supported under the Heat Supply Improvement Project and to strengthen the capacity of involved key stakeholders. The Project consists of the following parts:

- (i) Providing support for the preparation of key Project documents for investment measures and related technical assistance, including *inter alia*: (a) the Project related technical studies and documents, such as design documents and technical specifications for the main priority investments, the baseline survey assessing the beneficiary satisfaction levels, the Project operational manual; and (b) the safeguard documents for the proposed Heat Supply Improvement Project.
- (ii) Providing consultants' services and Training to support capacity and awareness building through, *inter alia*: (a) strengthening the technical and fiduciary capacity of the PIU; and (b) awareness building activities in target areas.
- (iii) Provision of goods, consultant's services, Training and Incremental Operating Costs to PIE for the implementation of the Project and the Project financial audit.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by Bishkekteploset Open Joint Stock Company ("Project Implementing Entity") in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. ***Institutional and Other Arrangements***

- (a) **Subsidiary Agreement:**
  - (i) To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity under a subsidiary agreement ("Subsidiary Agreement") between the Recipient and the Project Implementing Entity, under terms and conditions approved by the World Bank.

(ii) The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

(b) For purposes of carrying out the Project, the Recipient shall cause the PIE to maintain a PIU at all times during the Project implementation, with professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall cause the PIE to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall cause the PIE to prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. **Financial Management.** (a) The Recipient shall cause the PIE to ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall cause the PIE to ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall cause the PIE to have the Project Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. The audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

#### 2.06. **Procurement**

(a) **General.** All goods, non-consulting services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of 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) ("Procurement Guidelines"), in the case of goods and non-consulting services;

(ii) Sections I and IV of 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) (“Consultant Guidelines”) in the case of consultants’ services; and

- (iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank 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.

(c) Particular Methods of Procurement of Goods and Non-consulting Services

- (i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
- (ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding, subject to the following additional provisions set forth in the Appendix to this Annex; (C) Shopping; (D) Direct Contracting.

(d) Particular Methods of Procurement of Consultants’ Services

- (i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
- (ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments 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 procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III  
Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the

“World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Consultants’ services under the Project	366,540	100%
(2) Goods	7,500	100%
(3) Training	20,500	100%
(4) Incremental Operating Costs	5,000	100%
<b>TOTAL AMOUNT</b>	<u>399,540</u>	

Unless otherwise agreed with the World Bank, the Recipient shall cause the PIE to ensure that the amounts allocated to finance Eligible Expenditures under Categories 2, 3 and 4 do not exceed the financing thresholds of said Eligible Expenditures pursuant to the Rules of Operation.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed seventy-nine thousand nine hundred eight United States Dollars (\$79,908) may be made for payments made prior to this date but on or after January 9, 2017, for Eligible Expenditures under Categories (1), (2), (3) and (4).

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2017.

**Article IV  
Additional Remedies**

4.01. **Additional Events of Suspension.** The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

(a) The Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Implementing Entity to perform any of its obligations under this Agreement.

(b) The Member Country has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under this Agreement.

(c) The Project Implementing Entity has failed to perform any obligation under this Agreement.

(d) World Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by World Bank, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by World Bank (including as administrator of funds provided by another financier), as a result of: (i) a determination by World Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by World Bank; and/or (ii) a declaration by another financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.

(e) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under this Agreement.

(f) The World Bank has decided, at any time after consultation with the Recipient, to withdraw its financial support for the proposed Heat Supply Improvement Project.

#### **Article V Effectiveness; Termination**

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.

(b) If World Bank so requests, the condition of the Project Implementing Entity, as represented or warranted to the World Bank at the date of this Agreement, has undergone no material adverse change after such date.

(c) The Subsidiary Agreement referred to in Section 2.03 (a) of this Annex has been executed on behalf of the Recipient and the Project Implementing Entity.

(d) The Recipient, through the PIE, has hired a financial management specialist with terms of reference satisfactory to the World Bank.

5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing the following matters:

(a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and

(b) the Subsidiary Agreement referred to in Section 2.03 (a) of this Annex has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon each such party in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. *Termination for Failure to Become Effective.* This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

## **Article VI Recipient’s Representative; Addresses**

6.01. ***Recipient’s Representative.*** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

6.02. ***Recipient’s Address.*** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance  
58 Erkindik Blvd.  
Bishkek City, 720040  
Kyrgyz Republic

Telex: 245-156 NUR KH      Facsimile: (996-312) 661645

6.03. ***World Bank's Address.*** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Telex: 248423 (MCI) or Facsimile: 1-202-477-6391

## APPENDIX

### Modifications to National Competitive Bidding Procedures

The procedure to be followed for National Competitive Bidding shall be the “Single-Stage Bidding” method set forth in the Public Procurement Law of the Recipient dated April 3, 2015 № 72 (the “PPL”) provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the Procurement Guidelines and the following additional provisions:

1. Procuring entities shall use the appropriate standard bidding documents, including forms of contract acceptable to the World Bank, which shall be prepared so as to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Procurement Guidelines.
2. The eligibility of bidders 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 World Bank for reasons other than those provided in Section I of the Procurement Guidelines.
3. No restrictions in respect of eligibility to participate in bidding for contracts shall be placed on the basis of nationality of the bidder and/or the origin of goods other than those imposed by primary boycotts.
4. Foreign bidders shall be allowed to participate in National Competitive Bidding procedures without restrictions of any kind.
5. No preference of any kind shall be applied for domestic bidders and/or for domestically manufactured goods.
6. Bidding shall not be restricted to pre-registered firms, and foreign bidders shall not be required to be registered with local authorities as a prerequisite for submitting bids.
7. Foreign firms shall not be required to associate with a local partner in order to bid as a joint venture, and joint venture partners shall be jointly and severally liable for their obligations.
8. Government-owned enterprises in the Recipient’s territory 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 dependent agencies of the Recipient or sub-recipient. Such enterprises shall be subject to the same bid and performance security requirements as other bidders.
9. Prequalification procedures acceptable to the World Bank shall be used for large, complex and/or specialized projects.
10. Bidders shall be given at least thirty (30) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.
11. Bids shall be submitted in a single-envelope.

12. An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the expiration date and for a minimum period required to complete the evaluation or award a contract, but not to exceed thirty (30) days. No further extensions shall be requested without the prior concurrence of the World Bank.
13. Bids shall be opened in public, immediately after the deadline for their submission in accordance with procedures stated in the bidding documents. No bids should be rejected at bid opening unless they are late/submitted after the stipulated deadline.
14. Evaluation of bids shall be made in strict adherence to the quantifiable criteria declared in the bidding documents. Qualification criteria for bid evaluation shall be applied on a pass or fail basis. Evaluation criteria other than price shall be quantified in monetary terms.
15. Bids that are not substantially responsive to the technical specifications, contract conditions, or other critical requirements in the bidding documents shall be rejected.
16. Bid evaluations shall be confidential, and bidding committee meetings shall not be open to bidders and/or their representatives.
17. Post-qualification criteria shall only pertain to past contract performance, financial and technical capabilities of bidders.
18. Contracts shall be awarded to the bidder who submits the lowest-evaluated, substantially-responsive bid, and who is determined to be qualified to perform the contract in accordance with pre-defined and pre-disclosed evaluation criteria. No negotiation as to the price or substance of the bid shall take place.
19. If the procuring entity fails to conclude a contract with the lowest evaluated bidder, a contract may be awarded to the qualified bidder who is next ranked and whose bid is found substantially responsive. 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 World Bank's prior concurrence.
20. Bidders shall be given at least twenty-eight (28) days from the receipt of notification of contract award to submit performance securities.
21. Each bidding document and contract financed out of the proceeds of the Grant shall include provisions stating the World Bank's policy to sanction firms or individuals, found to have engaged in fraud and/or corruption as defined in the paragraph 1.16(a) of the Procurement Guidelines. The World Bank will sanction a firm or an individual, at any time, in accordance with prevailing World Bank sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a World Bank-financed contract; and (ii) to be a nominated subcontractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded a World Bank-financed contract.
22. In accordance with the paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Grant shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the World Bank 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 World Bank. Acts intended to materially impede the exercise of the World Bank's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.

23. Complaints related to the procurement process shall be handled in accordance with the provisions of the Procurement Guidelines.