February 13, 2013

H.E. Ms. Olga Lavrova
Minister of Finance
Ministry of Finance
58, Erkindik Blvd.
Bishkek 720040
Kyrgyz Republic

Excellency:

Re: Grant No. TF012550
Kyrgyz Republic
READ – Phase II Project

In response to the request for financial assistance made on behalf of the Kyrgyz Republic (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”), acting as administrator of grant funds provided by the Russian Federation (“Donor”) under the Russia Education Aid for Development (READ) Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed one million six hundred fifty thousand United States Dollars (U.S.$1,650,000) (“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 above-mentioned trust fund for which the World Bank receives periodic contributions from the Donor. 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 Donor under the above-mentioned 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 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.
Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Alexander Kremer
Acting Country Director for Central Asia
Europe and Central Asia Region

CONFIRMED AND AGREED:
MINISTER OF FINANCE

By

Name: H.E. Ms. Olga Lavrova
Title: Minister of Finance
Date: March 11, 2013

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Grant No. TF012550
ANNEX

Article I
Standard Conditions; Definitions


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.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to strengthen the Kyrgyz institutional capacity in implementing new and current assessment methods and practices and build a critical mass of: (a) policy-makers who are knowledgeable about interpretation and use of assessment results for decision making and strategic development in the education sector; (b) teachers who can professionally engage in assessment activities and are able to spread their expertise within the educational community; and (c) experts in the design and administration of assessment instruments and analysis and dissemination of results. The Project consists of the following parts:

Part A: Building the capacity for classroom based assessment

Provision of consultants’ services and training of approximately 5,640 primary teachers for summative and formative classroom assessments of grades 1 to 4.

Part B: Monitoring system performance through National Sample based Assessment (NSBA)

Provision of consultants’ services to support the development and administration of one round of NSBA at grade 4 to monitor and compare system-wide changes of student learning. In particular, the component finances field testing of the instrument in 20 schools and 600 students of grade 4 and the administration of the tested assessment to 6,000 students in 200 schools. It will also strengthen the technical capacity of the Education Assessment Unit with proper staff and skills mix.

Part C: Strengthening result measurement through improved school leaving test

Provision of consultants’ services to support the development of a new school leaving examination at grade 11 to certify learning at the end of the secondary cycle and building capacity of the National Testing Center for system-wide implementation.
Part D: Grant Implementation Support

This component will support a Project Implementation Unit for the coordination, fiduciary oversight and monitoring of the grant implementation. The PIU is based on the existing PIU for the FTI-2 grant and complemented by assessment specialists. The support would entail hiring of consultant specialists and procurement of office/communication equipment and incremental operating costs for the implementation support function that the PIU provides.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Education and Science (MoES) of the Kyrgyz Republic 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. Donor Visibility and Visit.

(a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project, except that security considerations may, from time to time, limit access to certain parts of the country.

2.04. Project Monitoring, Reporting and Evaluation.

(a) The Recipient shall 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 the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) Assessment policy framework improved by August 31, 2014.

(ii) Assessment practice aligned to learning goals by August 31, 2014.

(iii) Assessment quality improved by August 31, 2014.

(c) The Recipient shall 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 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 ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such 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 World Bank not later than six months after the end of such period and shall be made publicly available in a timely fashion and in a manner acceptable to the World Bank.

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 (“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 (“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 additional provisions contained in sub-paragraph (iii) below; (B) Shopping; and (C) Direct Contracting.

(iii) The procedures for National Competitive Bidding referenced in sub-paragraph (ii) above shall be subject to the following additional provisions:

1. 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 Association for reasons other than those provided in Section I of the Procurement Guidelines. Exclusion from participation as a result of debarment should result from violation of clearly identified grounds of misconduct and in accordance with a fair and transparent process.

2. Procuring entities shall use the appropriate standard bidding documents acceptable to the Bank.

3. An extension of bid validity, if justified by exceptional circumstances, shall be requested in writing from all bidders before the expiration date and for a minimum period required to complete the evaluation or award contract.

4. No national preferences may be applied on the basis of the origin of products or labor.

5. Entities in which the State owns a majority shareholding shall not be invited to participate in tenders for the Government unless they are and can be shown to be legally and financially autonomous and they operate under commercial law.

6. Pre-qualification shall be conducted for large works contracts and shall be applied upon the Bank’s agreement;

7. The pre- and post- qualification criteria shall only pertain to past contract performance, financial, managerial and technical capabilities of bidders.

8. Joint venture partners shall be jointly and severally liable for their obligations.

9. State unit costs shall not be used for contract budgeting and evaluation for civil works contracts.

10. Bids shall be opened in public, immediately after the deadline for their submission. No bids can be rejected at bid opening and under the circumstances referred to Article 6 of the Public Procurement Law.
11. No bids shall be rejected solely because they exceed the estimated price. Bids can be cancelled and new bids invited, only if the conditions of clause 2.62 of the Procurement Guidelines are met.

12. All bid evaluation criteria shall be quantifiable in monetary term.

13. Qualification criteria for bid evaluation shall be applied on a pass or fail basis.

14. Contracts shall be awarded to qualified bidder having submitted the lowest evaluated substantially responsive bid and no negotiation shall take place.

15. There should be an effective and independent protest mechanism allowing bidders and interested parties to protest and to have their protest handled in a timely manner.

16. Advance Bank no objection is required for any modifications in the contract scope/conditions during contract implementation;

(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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants' services, and Training under the Project</td>
<td>1,470,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Operating Costs</td>
<td>180,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,650,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this paragraph, the terms:

(a) “Operating Costs” shall mean the expenses incurred by the Recipient for the incremental expenses on account of Project implementation, management, monitoring, including utilities, supplies, communications, maintenance costs, advertising expenses, social charges, bank charges, travel and per diems for employees of the Project implementation unit, salaries and statutory contributions of support staff, but not including salaries of officials or employees of the Recipient’s civil service, as well as any contributions by these officials or employees to any social fund;

(b) “Social charges” means any payments, premiums 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; and

(c) “Training” shall mean the expenses incurred by the Recipient in connection with study tours, training courses, seminars, workshops and other training-related activities under the Project including travel costs and per diem for participants, trainers and trainees, trainers’ fees, rental of training facilities, preparation and reproduction of training materials and other activities incidental to the preparation and implementation of training activities.

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 countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is August 31, 2014.
Article IV
Effectiveness

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition has been satisfied: that the execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental action.

Article V
Recipient's Representative; Addresses

5.01. Recipient's Representative. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

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

5.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development/International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)