Financing Agreement

(Enhancing Resilience in Kyrgyzstan Project)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between KYRGYZ REPUBLIC ("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) apply to and form 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 a grant and a credit, both deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement (collectively, "Financing") in the following amounts to assist in financing the project described in Schedule 1 to this Agreement ("Project"): 

(a) an amount equivalent to six million nine hundred thousand Special Drawing Rights (SDR 6,900,000) ("Grant"); and

(b) an amount equivalent to six million nine hundred thousand Special Drawing Rights (SDR 6,900,000) ("Credit").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
2.05. The Payment Dates are April 15 and October 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through MoES in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness consists of the following, namely that the Project Operational Manual has been adopted by the Recipient, through MoES, in a form and substance acceptable to the Association.

4.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the Signature Date.

4.03. For purposes of Section 10.05 (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 Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

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

(b) the Recipient’s Electronic Address is:
5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: Facsimile:
248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

KYRGYZ REPUBLIC

By

Authorized Representative

Name: Mr. Adylbek Kasymaliev
Title: Minister of Finance
Date: 10.08.2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Ms. Bolormaa Amgaabazar
Title: Country Manager
Date: 27 August 2018
SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient to (i) strengthen its capacity to respond to disasters, (ii) provide safer and improved learning environment for children, and (iii) reduce adverse financial impacts of natural hazards on the Recipient’s budget and population.

The Project consists of the following parts:

Part A. Strengthening Disaster Preparedness and Response Systems

1. Increasing the coverage of emergency warning and notification to the population, enhancing the capacity to receive, analyze and respond to emergency calls, and increasing the integration and redundancy of the communications among national, regional and district level crisis management systems including: (i) improvements in the “112” emergency call and dispatch system for selected cities and oblasts, through purchase, installation, and operationalization of ICT equipment and software; (ii) improvements in the public emergency warning and notification system in selected cities and oblasts, as well as TV and radio interception systems for selected oblasts, through purchase, installation, and operationalization of ICT equipment and software, warning devices; and (iii) strengthening of crisis management centers through purchase, installation, and operationalization of ICT equipment and software.

2. Strengthening the monitoring and assessment of landslides and other mass-movement hazards through: (i) increasing the capacity to conduct operational surveys of and monitor landslides and other mass movement hazards through purchasing and operationalizing relevant equipment and software; (ii) strengthening the capacity to analyze and assess hazards through consultant services and training; and (iii) upgrading a web-based platform to compile hazard and disaster information and to share this information with relevant ministries and governmental agencies, as well as the population.

3. Strengthening search and rescue through purchasing, installation and operationalization of equipment and gears.

4. Improving disaster awareness of the public by introducing e-learning system and training outreach on DRM.
Part B. Improving Safety and Functionality of School Infrastructure

Provide support to improve the safety against earthquakes and functionality of selected school infrastructure through:

(a) Carrying out works to improve safety and functionality of selected school infrastructure, including: (i) feasibility studies and detailed design of interventions including on-site inspection of facilities; and (ii) building works and construction supervision.

(b) Building capacity of the education sector by providing support to the implementation of State Program on Safer Schools through the preparation of a long-term national intervention and investment plan, including: (i) developing an intervention strategy to improve the safety and functionality of school infrastructure countrywide; (ii) developing an investment strategy to finance the implementation of the plan; and (iii) providing prioritization criteria to maximize the benefits of the investment with clear short to long term goals.

(c) Providing support for (i) the design of a web-based school infrastructure module, and (ii) its integration in the management information system.

Part C. Enhancing Financial Protection

(a) (i) Review the SIO business processes; and (ii) provide support to customize web-based insurance production system.

(b) Optimization of SIO core business processes through: (a) development of a risk model for earthquake; (b) development of internal pricing terms for core risks; (c) development of an outward reinsurance function, inclusive of accumulation control; and (d) development of rapid claims assessment capabilities and improved technical soundness of the current claims assessment procedure.

(c) (i) Providing support to the SIO to develop and incorporate the essential risk management functions into insurance operations, including setting up the underwriting policies, risk appetite, investment guidelines, reinsurance guidelines and anti-money laundering and anti-fraud policies.

(ii) Providing support to the SIO and the SSFMRS with developing the regulatory compliance and data reporting standards.

(d) Procurement of equipment for selected regional SIO offices.
Part D. Project Management, and Monitoring and Evaluation

1. Provide support to: (i) carry out Project management activities, including, coordination and supervision of Project implementation, Project audits, financing of Incremental Operating Costs and Training; and (ii) organize meetings related to the Project activities.

2. Provide support to carry out the Project monitoring and evaluation activities.

Part E. Contingent Emergency Response

Provision of support upon occurrence of an Eligible Crisis or Emergency.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall establish no later than one (1) month after Effective Date and thereafter operate and maintain during the Project implementation, a Project Coordination Council with terms of reference, composition and resources acceptable to the Association, including, inter alia, the responsibility for Project-level decision making.

2. The Recipient, through MoES, shall: (i) maintain the PIU for the purposes of day-to-day Project management, monitoring and supervision with a composition, staff, resources and terms of reference all satisfactory to the Association; and (ii) carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in this Agreement and in the POM, including the IRM Operational Manual, and shall not amend, suspend, abrogate or waive any provisions of the POM, including the IRM Operational Manual, without prior written approval of the Association. In case of any inconsistency between the provisions of the POM, including the IRM Operational Manual, and those of this Agreement, those of this Agreement shall prevail.

3. The Recipient, through MoES, shall ensure that technical input and quality control shall be provided by (i) MoE and SAACCS, for purposes of carrying out activities under Part 2 of the Project; and (ii) SSFMRS, for purposes of carrying out activities under Part 3 of the Project.

B. Annual Work Plan and Budget

1. The Recipient shall prepare and furnish to the Association not later than July 31 in each calendar year, for the Association’s consideration, a proposed work plan of activities proposed for inclusion in the Project for the following calendar year, containing: (a) a detailed timetable for the sequencing and implementation of proposed Project activities; (b) the types of expenditures required for such activities and a proposed financing plan (including the necessary funds and resources to be provided by the Recipient for such expenditures); (c) any training activities that may be required under the Project; and (d) the reference to each Safeguard Document applicable to said activities in accordance with the provisions of Sections 1.C and 1.D.1(vi) respectively of this Schedule 2 and the proposed approach to ensure preparation and implementation of said Safeguard Document during the relevant year.
2. The Recipient shall afford the Association a reasonable opportunity to review and exchange views with the Recipient on each such proposed plan and budget, and thereafter shall ensure that the Project is implemented with due diligence and efficiency in accordance with such work plan and budget as shall have been approved by the Association ("Annual Work Plan and Budget").

C. Safeguards

1. The Recipient, through the PIU, shall ensure that the Project is carried out in accordance with the Safeguards Documents, including the guidelines, rules and procedures defined in said Safeguards Documents.

2. To this end, if an ESMP or a RAP is required on the basis of the ESMF or the RPF, the Recipient shall specifically take the following actions, in a manner acceptable to the Association:
   
   (a) such ESMP, or RAP shall be prepared in accordance with the requirements of the ESMF or the RPF, consulted and disclosed locally and furnished to the Association for approval; and

   (b) the pertinent Project activity shall be carried out in accordance with such ESMP, or RAP as approved by the Association.

3. If any activity under the Project would involve Affected Persons, ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement measures under the respective Safeguard Document, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been implemented.

4. The Recipient, through the MoES, shall ensure that no works on a specific site under the Project requiring resettlement and/or land acquisition are commenced until the respective Safeguard Document for said site is fully implemented.

5. The Recipient, through the MoES, shall not amend, suspend or waive, or permit to be amended, suspended or waived, any provision of Safeguard Document without the prior written approval of the Association.

6. In the event that any provision of the Safeguards Documents shall conflict with any provision under this Agreement, the provisions of this Agreement shall prevail.

D. Immediate Response Mechanism

In order to ensure the proper implementation of Part E of the Project ("IRM Part"), the Recipient shall take the following measures.
1. The Recipient shall:

(a) prepare and furnish to the Association for its review and approval: (i) a designation of, terms of reference for and resources to be allocated to, the entity to be responsible for coordinating and implementing the IRM Part ("Coordinating Authority"); (ii) specific activities which may be included in the IRM Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the IRM Part; (iv) procurement methods and procedures for Emergency Expenditures to be financed under the IRM Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) Safeguard Documents required for the IRM Part, consistent with the Association's policies on the matter; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the IRM Part;

(c) ensure that the IRM Part is carried out in accordance with the IRM Operational Manual; provided, however, that in the event of any inconsistency between the provisions of the IRM Operational Manual and this Agreement, the provisions of this Agreement shall prevail; and

(d) not amend, suspend, abrogate, repeal or waive any provision of the IRM Operational Manual without prior approval by the Association.

2. The Recipient shall, throughout the implementation of the IRM Part, maintain the Coordinating Authority, with adequate staff and resources satisfactory to the Association.

3. The Recipient shall undertake no activities under the IRM Part (and no activities shall be included in the IRM Part) unless and until the following conditions have been met in respect of said activities:

(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and

(b) the Recipient has prepared and disclosed all Safeguard Documents required for said activities, in accordance with the IRM Operational Manual, the Association has approved all such instruments, and the Recipient has implemented any actions which are required to be taken under said instruments.
Section II.  Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than one (1) month after the end of each calendar semester.

Section III.  Withdrawal of the Proceeds of the Financing

A.  General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; and (b) repay the Preparation Advance; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</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, and consulting services, Incremental Operating Costs and Training for the Project</td>
<td>6,900,000</td>
<td>4,420,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Eligible Emergency Expenditures for Part E of the Project</td>
<td>0</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Refund of Preparation Advance</td>
<td></td>
<td>2,480,000</td>
<td>Amount payable pursuant to Section 2.07 (a) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,900,000</td>
<td>6,900,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made for payments under Category (2), for Emergency Expenditures under Part E of the Project, unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:

   (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

   (ii) the Recipient has prepared and disclosed all Safeguard Documents required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.C of Schedule 2 to this Agreement; and

   (iii) the Recipient’s Coordinating Authority has adequate staff and resources, in accordance with the provisions of Section I.D of this Schedule 2 to this Agreement, for the purposes of said activities.

3. The Closing Date is January 31, 2024.
SCHEDULE 3
Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15, commencing October 15, 2024 to and including April 15, 2056.</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Affected Person” means a person who as a result of: (i) the involuntary taking of land under the Project is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood.

2. “Annual Work Plan and Budget” means the Recipient’s annual work plan and budget approved by the Association in accordance with the provisions of Section 1.B of Schedule 2 to this Agreement, as said work plan and budget may be modified from time to time with the prior written agreement of the Association.

3. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.

4. “Beneficiary Feedback Mechanism” or “BMF” means a system for obtaining and responding to comments, questions, and grievances from any Project beneficiary, including any grievances made regarding Resettlements, as further described in the RPF.

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

6. “Coordinating Authority” means the entity or entities designated by the Recipient in the IRM Operational Manual and approved by the Association pursuant to Section I.D of Schedule 2 to this Agreement, to be responsible for coordinating and carrying out Part E (the IRM Part) of the Project.

7. “DRM” means Disaster Risk Management.

8. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural crisis or disaster.

9. “Emergency Expenditure” means any of the Eligible Expenditures, including goods, works, non-consulting services, consultants’ services, Training, and Operating Costs, set forth in the IRM Operations Manual in accordance with the provisions of Section I.D of Schedule 2 to this Agreement and required for the activities included in the IRM Part of the Project.
10. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s environmental and social management framework for the Project, acceptable to the Association and disclosed by the Recipient on March 2, 2018, and on the Association website on March 29, 2018 setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental, natural habitats and cultural property impacts to levels acceptable to the Association, and the guidelines for the preparation and implementation of the ESMPs (as hereinafter defined) as such framework may be updated from time to time with the Association’s prior written concurrence.

11. “Environmental and Social Management Plan” or “ESMP” means the any site-specific environmental and social management plan, acceptable to the Association to be prepared during the Project implementation in accordance with the ESMF, approved by the Association, describing, inter alia, environmental mitigation, monitoring and institutional measures to offset or eliminate any negative impact or reduce them to acceptable levels, related to any Project activity; and “ESMPs” means the plural thereof.


13. “ICT” means information and communication technology.

14. “IRM Operational Manual” means the manual, to be adopted by the Recipient, as a part of the Project Operational Manual, pursuant to Section 4.01 of this Agreement and further referred to in Sections I.A.2 and D.1 (c) respectively of Schedule 2 to this Agreement for the purposes of coordination and implementation of IRM Part of the Project, as such Manual may be amended from time to time with a prior written approval of the Association.

15. “IRM Part of the Project” or “IRM Part” means Part E of the Project.

16. “Incremental Operating Costs” means the incremental operating expenditures incurred by the Project Implementing Unit on account of the Project implementation, management, monitoring and evaluation, including salaries of contractual staff (but excluding salaries of officials of the Recipient’s civil service) and the associated Social Charges, office rent, office materials and supplies, utilities, communication costs, transport and vehicle maintenance costs, support for information systems, translation costs, bank charges and travel and per diem costs of the PIU’s staff, support for the implementation of Beneficiary Feedback Mechanism, and other reasonable expenditures directly associated with implementation of the Project activities, all based on an annual budget acceptable to the Association.
17. "MOE" means the Recipient's Ministry of Education or any successor thereto.


19. "Project Implementation Unit" or "PIU" means the Project implementation group established within MoES pursuant to MoES's Order No.161 dated February 20, 2018 and in accordance with the provisions in Section I.A.2 in Schedule 2 to this Agreement.

20. "Project Coordination Council" or "PCC" means the coordination council to be established and function pursuant to Section I.A.1 in Schedule 2 to this Agreement, or any successor thereto acceptable to the Association.

21. "Project Operations Manual" or "POM" means the manual prepared by the Project Implementing Unit, satisfactory to the Association, and adopted pursuant to Section 4.01 of this Agreement, including an IRM Operational Manual and setting forth rules, methods, guidelines and procedures for the carrying out of the Project, including, inter alia: (a) detailed description of the Project and institutional arrangements for its implementation; (b) monitoring, evaluation, reporting, and governance procedures for the Project; (c) disbursement, financial management, auditing and safeguards procedures for the Project; (d) procurement rules, procedures, and standard bidding documents for the Project; (e) the content of the Project anti-corruption plan; (f) modalities for documentation and information management; and (g) criteria for verification, in form and substance acceptable to the Association, as said manual may be amended from time to time with the agreement of the Association.

22. "Preparation Advance" means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on July 26, 2017 and on behalf of the Recipient on November 10, 2017.


24. "Resettlement" means: (i) the involuntary (i.e., an action that may be taken without a person's informed consent or power of choice) taking of land, including anything growing on or permanently affixed to such land, such as buildings and crops, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the affected persons, and encompassing restrictions on the use of
resources imposed on people living outside a park or protected area, or on those who continue living inside the park or protected area during and after Project implementation.

25. “Resettlement Action Plan” or “RAP” means any site-specific resettlement action plan to be prepared by the Recipient and containing, *inter alia*, a program of actions, measures and policies for compensation of Affected Persons, including budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback in compliance with its terms for each site.

26. “Resettlement Policy Framework” or “RPF” means the Recipient’s resettlement policy framework, acceptable to the Association, and disclosed by the Recipient on March 2, 2018, and on the Association website on March 29, 2018, said framework setting out, *inter alia*, the policies and procedures for the acquisition of land and other assets, compensation, resettlement and rehabilitation of, *inter alia*, Affected Persons, as the case may be, and for the preparation of site-specific RAPs as may be required for Project activities, as said framework may be revised from time to time with the prior written concurrence of the Association; such term includes all schedules and agreements supplemental to said framework.

27. “SAACCS” means the Recipient’s State Agency for Architecture, Construction and Communal Service or any successor thereto.

28. “Safeguard Documents” means collectively or individually the Environmental Management Framework (EMF), the Resettlement Policy Framework (RPF), the Environmental and Social Management Plans (ESMPs), the Resettlement Action Plans (RAPs), as well as Safeguard Documents for IRM Part of the Project, all prepared in connection with the Project, as applicable.

29. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

30. “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.


32. “SSFMRS” means the Recipient’s State Service for Financial Market Regulation and Supervision or any successor thereto.
33. "State Program of Safer Schools" means the Recipient program adopted through the Recipient’s Government Decree No.551 dated July 31, as amended.

34. “Training” means expenditures (other than those for consulting services) incurred by the Recipient in connection with study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, travel, per diem costs for trainees and trainers and trainers’ fees (as applicable), all based on an annual budget satisfactory to the Association.