Financing Agreement

(Second Additional Financing for the Second Village Investment Project)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 20th, 2013
FINANCING AGREEMENT

Agreement dated May 20th, 2013, entered into between KYRGYZ REPUBLIC ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

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

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (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 one million three hundred thousand Special Drawing Rights (SDR 1,300,000) ("Grant"); and

(b) an amount equivalent to one million five hundred thousand Special Drawing Rights (SDR 1,500,000) ("Credit").

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

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

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
2.05. The Payment Dates are February 15 and August 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 United States Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following: that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consists of the following: that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
(b) The Project Implementing Entity has recruited a consultant, acceptable to the Association, to prepare detailed design documentation and detailed cost estimates for remedial works to be financed under Part II.A of the Project.

(c) The Project Implementing Entity has prepared Terms of Reference, acceptable to the Association, for construction supervision of remedial works.

5.02. The Additional Legal Matter consists of the following: that the Subsidiary Agreement has been executed by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

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

5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

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

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

6.03. The Association’s Address is:

    International Development Association
    1818 H Street, N.W.
    Washington, D.C. 20433
    United States of America
Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.

AGREED at Bishkek, Kyrgyz Republic, as of the day and year first above written.

KYRGYZ REPUBLIC
By

Authorized Representative
Name: Lavrova D
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION
By

Authorized Representative
Name: A. Kremer
Title: Country Manager
SCHEDULE 1

Project Description

The objectives of the Project are to assist the Recipient with: (a) improving governance and capacity at the local level; (b) strengthening the provision of, and access to, essential infrastructure services; and (c) supporting private group-owned small-scale enterprise development.

The Project consists of the Original Project, except that Financing provided by this Agreement will not support Part I of the Original Project, and Part II is hereby revised as follows:

Part II Village Investments

A. Provision of Community Grants to eligible communities to assist them with the implementation of the Community Investment Plans, and

B. Remediation of structural deficiencies of selected Micro-project infrastructure financed by the Original Project through the provision of works, consultants' services and goods.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain the Project Implementing Entity until completion of the Project with staff, resources and terms of reference satisfactory to the Association.

2. The Recipient shall not amend or cause the Project Implementing Entity to amend the Project Implementing Entity’s Legislation without prior approval by the Association, and shall assign to the Project Implementing Entity the responsibility for overall Project management and coordination, including, *inter alia*:
   - (a) preparation of withdrawal applications under the Financing;
   - (b) maintenance of records and accounts related to the Project and arranging for the audit thereof;
   - (c) participation in administration of bidding procedures and of contracts under the Project; and
   - (d) preparation of quarterly Project Reports pursuant to paragraph A of Section II of this Schedule.

3. The Recipient shall, and shall cause the Project Implementing Entity to, implement the Project in accordance with the provisions of the Operational Manual. Except as the Association shall otherwise agree, the Recipient or the Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provision of said Manual, if, in the opinion of the Association, such amendment or waiver may materially affect the carrying out of the Project or the achievement of the Project objectives.

4. The Recipient shall ensure that the Project Implementing Entity maintains the Operational Manual and that said Manual covers, *inter alia*, the following matters: (a) eligibility criteria for Community grants and Micro-projects; (b) the principles and procedures to be followed for the approval of Community grants and Micro-projects; (c) regional allocation of the Financing; (d) community contribution requirements for Micro-projects; (e) the indicators to be utilized by the Project Implementing Entity in monitoring the progress of the Project; and (f) procurement and supervision procedures for retrofitting works.
5. The Recipient shall: (i) take all actions, including ensuring the provision of funds, facilities, services, and other resources, necessary or appropriate for the carrying out of the Project by the Project Implementing Entity; and (ii) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

B. **Subsidiary Agreement**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association ("Subsidiary Agreement").

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. **Anti-Corruption**

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

D. **Micro-projects under Part II.A of the Project**

1. The Recipient shall cause the Project Implementing Entity to make Community-Grants to Beneficiaries under Part II of the Project in accordance with eligibility criteria and procedures acceptable to the Association, which shall include the eligibility criteria, procedures, and terms and conditions set forth or referred to in the Operational Manual.

2. The Recipient shall cause the Project Implementing Entity to enter into a Community-Grant Agreement with each Beneficiary when making a Community-Grant on terms and conditions approved by the Association, which shall include the following:

   (a) The Community-Grant shall be denominated in Kyrgyz soms.

   (b) The Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Community-Grant, or obtain a refund of all or any part of the amount of the Community-Grant then withdrawn, upon the Beneficiary’s failure to perform any of
its obligations under the Community-Grant Agreement; and (ii) require each Beneficiary to:

(A) carry out its Micro-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines, EMP, the Land Acquisition Policy Framework and the relevant Land Acquisition Plan(s);

(B) without limitation to the generality of the provisions of the preceding paragraph (i), require the Beneficiary to carry out and operate the Micro-project with due regard to applicable social impact, ecological, environmental and pollution control standards and in accordance with the provisions of the Operational Manual;

(C) for Micro-projects which require an EMP or a Land Acquisition Plan, require the Beneficiary to prepare such plans and carry out such plans in a timely manner;

(D) provide, promptly as needed, the resources required for the purpose of the Micro-projects;

(E) procure the goods, works and services to be financed out of the Community-Grant in accordance with the provisions of this Agreement;

(F) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Micro-project and the achievement of its objectives;

(G) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Micro-project; and

(2) at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly
furnish the statements as so audited to the Recipient and the Association;

(H) enable the Recipient and the Association to inspect the Micro-project, its operation and any relevant records and documents;

(I) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing; and

(J) suspend and terminate the right of the Beneficiary to the use of the proceeds of the Community Grant upon failure by such Beneficiary to perform its obligations under its contract with the Recipient.

E. Implementation of Part II.B of the Project

For the purposes of carrying out remedial activities under Part II.B of the Project, the Recipient shall cause the Project Implementing Entity:

(i) to procure consultants’ services for the preparation of detailed designs for selected infrastructure and facilities to be retrofitted under the Project, and submit the completed designs for the Association’s review and approval;

(ii) to procure works for carrying out of remedial activities using contract templates satisfactory to the Bank which shall include, without limitation, adequate technical and engineering standards for works and appropriate liability clauses;

(iii) to carry out construction supervision of retrofitting works with the assistance of engineers with skills and qualifications acceptable to the Association; and

(iv) to ensure proper certification of completed works by the Recipient’s relevant authorities, prior to final payments under the contracts.

F. Safeguards

1. The Recipient shall, and shall cause the Project Implementing Entity to, carry out the Project in accordance with the provisions of EMP, the Land Acquisition Policy Framework and the relevant Land Acquisition Plans.

2. The Recipient shall and shall cause the Project Implementing Entity not to amend, suspend, abrogate, repeal or waive any provisions of EMP, the Land
3. No Micro-project or retrofitting activity under Part II.B involving land acquisition and/or resettlement shall be undertaken unless the Project Implementing Entity shall have first prepared a Land Acquisition Plan in relation to said Micro-project or retrofitting activity, in form and substance satisfactory to the Association and in accordance with the provisions set forth in the Land Acquisition Policy Framework, and shall have implemented such plan(s) in a manner satisfactory to the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association.

2. Each Project Report shall cover the period of one calendar quarter and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report and not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.
Section III. Procurement

A. General

1. Goods and Works. All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the provisions contained in the attached Annex to this Schedule 2.</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Community Participation</td>
</tr>
<tr>
<td>(d) Direct Contracting</td>
</tr>
</tbody>
</table>
C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection Based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(c) Selection of Individual Consultants</td>
</tr>
<tr>
<td>(d) Single-Source Selection</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Credit and 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 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) Consultants’ services and Training</td>
<td>100,000</td>
<td>90,000</td>
<td>90% of Foreign Expenditures and 100% of Local Expenditures</td>
</tr>
<tr>
<td>(2) Goods, works, Community Grants under Part II.A, and Incremental Operating Costs</td>
<td>1,400,000</td>
<td>1,210,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,500,000</td>
<td>1,300,000</td>
<td></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period**

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

2. The Closing Date is October 31, 2014.
ANNEX TO SCHEDULE 2

MODIFICATIONS TO NATIONAL COMPETITIVE BIDDING (NCB) PROCEDURES

The procurement procedure to be followed for National Competitive Bidding shall be the tendering with unlimited participation procurement method set forth in the Law of the Kyrgyz Republic on Public Procurement No. 69 of May 24, 2004 (as amended by the following laws of the Kyrgyz Republic: (i) Law No. 172 dated July 28, 2008; (ii) Law No. 236 dated July 20, 2009; and (iii) Law No. 88 dated July 8, 2011) (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 “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" (January 2011) (the “Procurement Guidelines”) and the following additional provisions:

1. **Eligibility:** Eligibility of bidders to participate in a procurement process and to be awarded an Association-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Bank or Association for reasons other than those provided in Section I of the Procurement Guidelines.

2. **Domestic Preference:** No domestic preference may be applied in bid evaluation on the basis of bidder nationality, the origin of goods, services or labor, and/or preferential programs.

3. **Registration and Licensing:** Registration shall not be used to assess bidders’ qualifications. A foreign bidder shall not be required to register or obtain a license as a condition for submitting its bid, and a foreign bidder recommended for contract award shall be given a reasonable opportunity to register or obtain a license, with the reasonable cooperation of the Borrower, prior to contract signing.

4. **Bidding Documents:** Procuring entities shall use the appropriate standard bidding documents acceptable to the Association, which documents shall be prepared so as to ensure economy, economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines.

5. **Bid Validity:** The bid validity period required by the bidding documents shall be sufficient to account for any period that may be required for the approval and registration of the contract as contemplated in the PPL. An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation, award a contract, and/or complete the contract registration process.
No further extensions shall be requested without the prior written concurrence of the Association.

6. **Qualification:** Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a “pass or fail” basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (a) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (b) financial position; and where relevant (c) capability of construction and/or manufacturing facilities.

Prequalification procedures and documents acceptable to the Association shall be used for large, complex and/or specialized works contracts. Verification of the information upon which a bidder was prequalified, including current commitments and the bidder’s capability with respect to personnel and equipment, shall be carried out at the time of contract award.

In the procurement of goods and works where prequalification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.

7. **Cost Estimates and State Unit Costs:** Cost estimates shall be confidential and shall not be disclosed to prospective bidders. No bids shall be rejected on the basis of comparison with the cost estimates and/or budget ceiling without the Association’s prior written concurrence. State unit costs shall not be used for contract budgeting and/or for evaluation for civil works contracts.

8. **Bid Submission and Bid Opening:** Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be opened in public, immediately after the deadline for their submission. No bids shall be rejected at bid opening. A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids, and to the Association with respect to contracts subject to the Association’s prior review.

9. **Rejection of Bids and Re-bidding:** No bids shall be rejected solely because they exceed the estimated cost. All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association’s prior written concurrence.
10. **Bid Evaluation:** Evaluation criteria shall be clearly specified in the bidding documents. Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. All bid evaluation criteria other than price shall be quantifiable in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation. Bidders shall not be eliminated on the basis of minor, nonmaterial deviations.

Contracts shall be awarded to the qualified bidder whose bid has been determined: (i) to be substantially responsive to the bidding documents; and (ii) to offer the lowest-evaluated cost. No negotiations shall be permitted in connection with the bid evaluation or the contract registration process.

11. **Guarantees:** Guarantees shall be in the format specified in the bidding documents. The bid guarantee shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested.

12. **Contract Modifications:** With respect to contracts subject to the Association’s prior review, the Borrower shall obtain the Association’s no objection before agreeing to: (i) a material extension of the stipulated time for performance of a contract; (ii) any substantial modification of the contract scope of services or other significant changes to the terms and conditions of the contract; (iii) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (iv) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.

13. **Fraud and Corruption:** The bidding documents and contract as deemed acceptable by the Association shall include provisions stating the Association’s policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

14. **Inspection and Audit Rights:** In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association’s inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.
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 February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>commencing on February 15, 2023 to and including August 15, 2032</td>
<td>1%</td>
</tr>
<tr>
<td>commencing on February 15, 2033 to and including August 15, 2052</td>
<td>2%</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 3.03(b) of the General Conditions.
APPENDIX

Definitions


2. “Beneficiary Community” means an eligible community which is a recipient or proposed to be a recipient of a Community Grant of the Project for the implementation of a Community Investment Plan.

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

4. “Community-Grant” means a grant provided or proposed to be provided to an eligible community from the proceeds of the Financing to finance expenditures in respect of goods, works and consultants’ services necessary for the implementation of a Community Investment Plan under the Project.

5. “Community Grant Agreement” means an agreement among a respective local investment union executive committee, a respective village council and the Project Implementing Entity for the provision of a Community Grant to a Beneficiary Community.

6. “Community Investment Plan” means an investment plan prepared by an eligible community in accordance with the principles and procedures and eligibility criteria set forth in the Operational Manual and financed or proposed to be financed by a Community Grant.


10. "Incremental Operating Costs" means the incremental operating expenditures incurred by the Project Implementing Entity on account of the Project implementation, management, monitoring and evaluation, including salaries of contractual staff, Social Charges and expenditures for office rent, office maintenance and office repairs, as well as expenditures for materials and supplies, communication costs, support for information systems, translation costs, bank charges and travel and per diem costs of the Project Implementing Entity's staff and other reasonable expenditures directly associated with implementation of the Project activities, all based on an annual budget acceptable to the Association, but excluding salaries of officials of the Recipient's civil service and such other expenditures as may be agreed upon by the Association.

11. "Land Acquisition Plan" means a site-specific land acquisition plan prepared in accordance with the parameters laid down in the Land Acquisition Policy Framework, acceptable to the Association, to be developed by the Project Implementing Entity for each Micro-project which involves land acquisition and/or resettlement.

12. "Land Acquisition Policy Framework" means the land acquisition policy framework, satisfactory to the Association, dated September 24, 2009, adopted by the Recipient and setting forth: (i) the description of the Project and activities for which land acquisition and/or resettlement may be required; (ii) the principles and objectives governing resettlement preparation and implementation; (iii) a description of the process for preparing and approving Land Acquisition Plans; (iv) estimated population displacement and likely categories of displaced or affected persons; (v) eligibility criteria for defining various categories of displaced and affected persons; (vi) a legal framework reviewing the fit between Recipient's laws and regulations and the Association's policy requirements and measures proposed to bridge any gaps between them; (vii) methods of valuing affected assets; (viii) a description of the grievance mechanisms; (ix) a description of compensation mechanisms; and (x) monitoring arrangements by the Project Implementing Entity and, if required, by independent monitors.

13. "Micro-project" means a micro-project included or proposed to be included in a Community Investment Plan under Part II of the Project and to be financed from proceeds of a Community Grant.

14. "Operational Manual" means the operational manual satisfactory to the Association, dated September 24, 2009, adopted by the Project Implementing Entity and setting forth, inter alia: (a) the procedures for the implementation and monitoring of the Project; (b) the eligibility criteria, the Beneficiary contribution requirements and the preparation, evaluation, selection, financing, implementation and supervision of procedures for Micro-projects and Community Grants; and (c) EMP.

16. “Original Project” means the Project described in the Original Financing Agreement.


18. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 8, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

19. “Project Implementing Entity” means the Recipient’s Community Development and Investment Agency of the Kyrgyz Republic, or any successor thereto.

20. “Project Implementing Entity’s Legislation” means the Edict of the President of the Kyrgyz Republic No. 330, dated October 15, 2003, including any amendments thereto or any succeeding legislation, establishing the Project Implementing Entity.

21. “Social Charges” means any payment, 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.

22. “Subsidiary Agreement” means the agreement between the Recipient and the Project Implementing Entity pursuant to Section I.B of Schedule 2 to this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Agreement.