Project Agreement

(Second Additional Financing for the
Second Village Investment Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY OF THE
KYRGYZ REPUBLIC

Dated May 20th, 2013
PROJECT AGREEMENT

Agreement dated May 20th, 2013, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY OF THE KYRGYZ REPUBLIC ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the KYRGYZ REPUBLIC ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Executive Director.

4.02. The Association’s Address is:

    International Development Association
    1818 H Street, NW
    Washington, DC 20433
    United States of America

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

4.03. The Project Implementing Entity’s Address is:

    102, Bokonbaeva Street
    Bishkek, 720040
    Kyrgyz Republic

    Facsimile: 996-312-624-748
AGREED at Bishkek, Kyrgyz Republic, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: A. Kremmer
Title: Country Manager

COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY OF THE KYRGYZ REPUBLIC

By

Authorized Representative

Name: K. Ismailov
Title: Executive Director
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall, throughout the duration of the Project: (i) take all action relating to the carrying out of the Project; and (ii) not take or permit to be taken any action that would prevent or interfere with the carrying out of the Project. To that end, the Project Implementing Entity shall not amend or waive the Project Implementing Entity's Legislation without the approval of the Association, and shall be responsible for overall Project management and coordination, including:

   (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.

2. The Project Implementing Entity shall implement the Project in accordance with the provisions of the Operational Manual. Except as the Association shall otherwise agree, the Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provision of the Operational 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.

3. The Project Implementing Entity shall maintain the Operational Manual and shall ensure 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.

4. The Project Implementing Entity shall maintain staff, resources and terms of reference satisfactory to the Association until completion of the Project.
B. Subsidiary Agreement

The Project Implementing Entity 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 Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Project Implementing Entity 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 Project Implementing Entity shall 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 Project Implementing Entity shall 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 and the Project Implementing Entity 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, the Project Implementing Entity and the Association to inspect the Micro-project, its operation and any relevant records and documents.

(I) prepare and furnish to the Recipient, the Project Implementing Entity and the Association all such information as the Recipient, the Project Implementing Entity or the Association shall reasonably request relating to the foregoing.
3. The Project Implementing Entity shall exercise its rights under each Community-Grant Agreement in such manner as to protect its interests and those of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, or waive any Community-Grant Agreement or any of its provisions.

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 Project Implementing Entity shall:

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

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

F. Safeguards

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

2. The Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provisions of EMP, the Land Acquisition Policy Framework or the Land Acquisition Plan(s) without prior approval of the Association.
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 Project Implementing Entity shall 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. Each such Project Report shall cover the period of a calendar quarter and shall be furnished to the Recipient not later thirty (30) days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than five months after the Closing Date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions, all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Recipient, for inclusion in the Project Report, not later than thirty (30) 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 Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be:
(a) furnished to the Recipient and the Association not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. **Procurement**

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.