Mr. Michael Kocher  
General Manager  
Aga Khan Foundation - Switzerland  
1 Avenue de la Paix  
1202 Geneva  
Switzerland  
Tel: +41 22 909 72 00  
Fax: +41 22 909 72 91

Re: CASA-1000 MDTF: Community Engagement and Social Accountability Project Grant No. TF0A7727  
Letter Agreement

Dear Sir/Madam:

In response to the request for financial assistance made on behalf of the Aga Khan Foundation ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Central Asia South Asia Transmission Project Multi-Donor Trust Fund (CASA-1000 MDTF - TF072240), proposes to extend to the Recipient for the benefit of the Kyrgyz Republic ("Member Country"), a grant in an amount not to exceed one million United States Dollars (USD 1,000,000) ("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 abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that 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.

The Member Country, through its Ministry of Finance, has confirmed through a separate letter, dated April 28, 2018, that it has no objection and agrees to take all action necessary or appropriate to enable the Recipient to carry out the project in the territory of the Member Country and to perform its obligations under 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 BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

BY Bolormaa Amgaabazar
Country Manager for Kyrgyz Republic
Central Asia

AGREED:

AGA KHAN FOUNDATION

By Authorized Representative
Name
Title CEO
Date

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with the “Disbursement Guidelines for Investment Project Financing”, dated February 2017.
Article I
Standard Conditions; Definitions

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

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

(a) “Aga Khan Foundation Kyrgyzstan” means the liaison office of Aga Khan Foundation in Kyrgyzstan, established and operating under the laws of the Member Country in Bishkek, Kyrgyzstan, since May 28, 2009.

(b) "Aiyl Aimak" or “AA” means an administrative territorial unit within the boundaries of which the local community exercises local self-government, consisting of one or more settlements; and “Aiyl Aimaks” means the plural thereof.

(c) “C-VIA” means a Corridor-Village Investment Association, a local level government legal entity to be established, pursuant to the Recipient’s national legislation, in each AA to represent the corridor villages located in the respective AA.

(d) “Incremental Operating Costs” means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of Project implementation, management, monitoring and evaluation, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, support for information systems, office maintenance and repairs, expenditures for materials and supplies, utilities, document duplication/printing, interpretation and translation costs, consumables, travel cost and *per diem* for Project staff for travel linked to the implementation of the Project, salaries of contractual staff for the Project (but excluding consultants’ services and salaries of officials of the Member Country’s civil service), respective social charges, other reasonable expenditures directly associated with implementation of Project activities, all based on annual budget as may be agreed upon by the World Bank.

(e) “Project Operational Manual” means the Project Operational Manual prepared by the Recipient, setting forth *inter alia*, the operational and administrative responsibilities, procedures and rules for the implementation of the Project, as well as financial management and procurement arrangements for the Project, as the same may be amended and supplemented from time to time with the World Bank’s prior written approval.

(f) “Training and Workshops” includes services for the organization of the workshops, training materials and rental of training facilities and equipment, local travel and per diem for participants, tuition fees, travel, accommodation and *per diem* of trainers and trainees, printing of documents, communications, and various supplies needed for the workshops.
Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support youth engagement and social accountability for better services and infrastructure in selected areas of the Kyrgyz Republic.

The Project consists of the following parts:

**Part 1: Community Mobilization and Capacity Building**

Support for community mobilization, through: (a) carrying out capacity building activities for the selected communities (especially youth leadership and facilitators) to take part in decision making processes over local investments in social and economic infrastructure; and (b) establishing Corridor Village Investment Associations (C-VIAs) to support the community engagement process.

**Part 2: Youth Engagement in Awareness Building and Social Accountability**

Support for knowledgeable, cohesive and sustainable communities, and addressing the disempowerment of selected youth in target areas through building their capacity to: (a) lead awareness building activities on livelihoods and services that create more informed and active communities; and (b) advance social accountability mechanisms, including community-based monitoring, community scorecards, and social audits, to ensure community oversight, transparency and accountability of investments.

**Part 3: Project Management, Monitoring and Evaluation, and Communication**

Support the Recipient in Project management, including coordination and supervision of the implementation, communications, financial management and audits, procurement, monitoring and evaluation and progress reporting.

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 Aga Khan Foundation Kyrgyzstan, 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 and as of July 1, 2016 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** The Recipient shall carry out the Project in accordance with the Project Operational Manual (“Project Operational Manual”). Except as the World Bank shall otherwise agree in writing, the Recipient shall not amend, waive, suspend or abrogate any provision of the Project Operational Manual and in case of any inconsistency between any of the provisions of the Project Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

2.04. **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 Member Country’s territory for purposes related to the Project.
2.05. **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 indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

(b) 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 (6) months after the Closing Date.

2.06. **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 forty-five (45) days 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. **Procurement**

All goods, non-consulting services and consulting 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 the “World Bank Procurement Regulations for IPF Borrowers” dated July 2016, revised November 2017 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Project (“Procurement Plan”) dated May 7, 2018 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with 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 “Disbursement Guidelines for Investment Project Financing”, dated February 2017, 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, non-consulting services, consulting services, Training and Workshops, and Incremental Operating Cost</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,000,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2020.

Article IV
Additional Remedies

4.01. Additional Event of Suspension. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following, namely that the World Bank has determined after the Effective Date referred to in Section 5.02 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the condition specified below has been satisfied, namely that the Project Operational Manual referred to in Section 2.03 (c) of the Appendix to this Agreement has been prepared and adopted by the Recipient in form and substance satisfactory to the World Bank.

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

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

Article VI

Recipient’s Representative; Addresses

6.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the General Manager.

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

   Aga Khan Foundation - Switzerland
   1 Avenue de la Paix
   1202 Geneva
   Switzerland
   Tel: +41 22 909 72 00
   Fax: +41 22 909 72 91

6.03. **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

   Telex: 248423 (MCI) or 64145 (MCI)
   Facsimile: 1-202-477-6391