Financing Agreement

(Heat Supply Improvement 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 sixteen million three hundred thousand Special Drawing Rights (SDR 16,300,000) ("Grant"); and

(b) an amount equivalent to sixteen million three hundred thousand Special Drawing Rights (SDR 16,300,000) ("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 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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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 cause Part A of the Project to be carried out by BTS Project Implementing Entity and Parts B and C of the Project to be carried out by ARIS Project Implementing Entity, all in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the respective Project Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

4.01. The Additional Event of Suspension consists of the following: 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 respective Project Agreement.

4.02. The Additional Event of Acceleration consists of the following: the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Additional Condition of Effectiveness consists of the following:

    ARIS and BTS have adopted the ARIS Project Operational Manual and the BTS Project Operational Manual, respectively, both in form and content satisfactory to the Association.

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

5.03. 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 years after the Signature Date.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. 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:

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

6.03. 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: Adylbek Kasymaliev
Title: Minister of Finance
Date: 26.01.2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Bolormaa Angaanazar
Title: Country Manager
Date: 11/11/2018
SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency and quality of heating in selected Project areas.

The Project consists of the following parts:

Part A: Improving supply efficiency and quality of the district heating system in Bishkek

1. Providing support to BTS for the preparation and implementation of a priority investment program for district heating rehabilitation, including:
   (i) modernization of individual (building-level) heat substations, including:
       (a) installation of new individual heat substations in selected buildings; (b) reparation and upgrade of existing heat substations in selected buildings;
       (c) installation of building-level heat and hot water meters; and (d) installation of a preventive maintenance information system; and
   (ii) replacement and/or reconstruction of selected sections along the Vostok Transmission Network.

2. Providing support to BTS:
   (i) to strengthen its technical, operational, fiduciary, customer orientation and corporate resource management functions; and
   (ii) to strengthen its capacity for Project management and implementation, including Project M&E and audits, through provision of goods and consultants’ services, as well as financing of Training and Operating Costs.

Part B: Piloting efficient and clean heating stoves

1. Implementing an incentive program for low income households in selected pilot rayons through provision of goods, works, consultants’ services and non-consulting services to switch to efficient and clean heating stoves and low pressure boilers.

2. Stimulating the production and use of efficient and clean stoves through, inter alia, provision of capacity building, technical assistance, Training and awareness raising activities to stove suppliers, households and other stakeholders.

Part C: Demonstrating the benefits of energy efficiency improvements in public buildings

1. Supporting energy efficiency investments in selected public buildings through:
(i) preparing and implementing energy efficiency and seismic investment measures in selected public buildings;

(ii) strengthening capacity building and raising public awareness on energy efficiency, through provision of technical assistance, Training and awareness campaigns targeting local service providers, public entities, Project beneficiaries and other stakeholders.

2. Strengthening ARIS’s capacity for Project management and implementation, including Project M&E and audits, through provision of goods, non-consulting services and consultants’ services, as well as financing of Training and Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through the State Committee for Industry, Energy and Mining, shall establish, not later than six (6) months after Effective Date, and maintain throughout the duration of the Project, the PAC with a composition, roles, responsibilities, and resources satisfactory to the Association. The PAC shall be responsible for providing strategic guidance to the Project.

2. The Recipient shall:
   
   (a) cause ARIS, not later than thirty (30) days from the Effective Date, to strengthen the capacity of the ARIS Project Implementation Unit and thereafter maintain it during the entire Project implementation period with the staff, functions, terms of references and resources acceptable to the Association, and as further described in the ARIS Project Operational Manual; and

   (b) cause BTS to maintain during the entire Project implementation period the BTS Project Implementation Unit for the purposes of implementation of Part A of the Project, with functions, terms of reference, staff and resources acceptable to the Association.

3. The Recipient shall cause ARIS and BTS:
   
   (a) (i) to prepare and adopt ARIS Project Operational Manual and BTS Project Operational Manual, respectively, both satisfactory to the Association, and setting out, inter alia, the institutional, disbursement, procurement, financial management (including Project-related internal control, budgeting, external auditing, financial reporting and accounting policies and procedures) and environmental and social institutional safeguard arrangements for the implementation of the Project; and (ii) to carry out their respective Part of the Project in accordance with the respective Project Operational Manual; and

   (b) not to amend, suspend, repeal or waive any of the provisions of the Project Operational Manuals without the Association’s prior written agreement. In case of any discrepancy between the provisions of the Project Operational Manuals and those of this Agreement, the provisions of this Agreement shall prevail.
B. Subsidiary Agreement

1. To facilitate the carrying out of the Project Implementing Entities’ Respective Part of the Project, the Recipient shall make part of the proceeds of the Financing allocated from time to time to Category (1) of the table set forth in Section IV.1 of this Schedule available to BTS and part of the proceeds of the Financing allocated from time to time to Category (2) of the table set forth in Section IV.1 of this Schedule available to ARIS under subsidiary agreements between the Recipient and each of the Project Implementing Entities, under terms and conditions approved by the Association ("Subsidiary Agreements" and individually "Subsidiary Agreement").

2. The Recipient shall exercise its rights and carry out its obligations under Subsidiary Agreements 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 Subsidiary Agreements or any of their provisions.

C. Annual Work Plans

1. The Recipient shall cause the Project Implementing Entities to prepare, in accordance with the terms of reference acceptable to the Association, and furnish to the Association not later than December 1 of each calendar year during the implementation of the Project, a work plan containing all activities proposed for inclusion in the Project under their Respective Parts of the Project for the next calendar year, including: (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 Instrument applicable to said activities in accordance with the provisions of Section I.D of this Schedule 2 and the proposed approach to ensure preparation and implementation of said Safeguard Instrument during the relevant year.

2. The Recipient shall cause the Project Implementing Entities to afford the Association a reasonable opportunity to exchange views with them on each such proposed work plan; and, thereafter ensure that the Project is implemented with due diligence during said following calendar year in accordance with such work plan as shall have been approved by the Association.

3. The Recipient shall cause the Project Implementing Entities not to make any material change to the approved Annual Work Plan without prior approval in writing by the Association.
D. **Safeguards**

1. The Recipient shall cause the Project Implementing Entities to implement the Project in accordance with the relevant Safeguards Instruments, and, to that end, shall:

   (a) if any activity under the Project would require the adoption of any Supplemental Social and Environmental Safeguard Instrument, cause Project Implementing Entities to:

      (i) prepare: (A) such Supplemental Social and Environmental Safeguard Instrument for their Respective Part of the Project in accordance with ESMF and/or RPF; (B) furnish such Supplemental Social and Environmental Safeguard Instrument to the Association for review and approval; and (C) thereafter adopt such Supplemental Social and Environmental Safeguard Instrument, acceptable to the Association, prior to implementation of the activity; and

      (ii) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Social and Environmental Safeguard Instrument;

   (b) 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 Supplemental Social and Environmental Safeguard Instrument, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been implemented.

2. The Recipient shall, and shall cause the Project Implementing Entities to ensure that no works on a specific site under their Respective Part of the Project requiring resettlement and/or land acquisition are commenced until the respective Supplemental Social and Environmental Safeguard Instrument for said site is fully implemented.

3. The Recipient shall, and shall cause the Project Implementing Entities not to amend, suspend or waive, or permit to be amended, suspended or waived, any provision of Safeguard Instruments without the prior written approval of the Association.

4. In the event of a conflict between the provisions of any of the Safeguards Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.
5. The Recipient shall cause ARIS:
   
   (a) to ensure that stove design and stove producers selected for the purposes of Part B of the Project comply with the eligibility criteria, including environmental requirements, set forth in the ARIS Project Operational Manual and ESMF;
   
   (b) prior to commencing the activities under Part B of the Project, to make necessary arrangements for the sustainable dismantling and the disposal of old stoves in compliance with the ARIS Project Operational Manual and ESMF; and
   
   (c) to include a Safety Checklist in the acceptance protocols to be developed for delivered stoves.

Section II. Project Monitoring, Reporting and Evaluation

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

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

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

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding subject to the additional provisions set forth in the Annex to this Schedule 2; (b) Shopping; and (c) Direct Contracting.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

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

1. 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 finance Eligible Expenditures 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, consultants' services, including audit, Training and Operating Costs under Part A of the Project</td>
<td>16,300,000</td>
<td>5,675,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants' services, including audit, Training and Operating Costs under Parts B and C of the Project</td>
<td>0</td>
<td>10,625,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>16,300,000</strong></td>
<td><strong>16,300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 496,000 may be made for payments made prior to this date but on or after July 30, 2017, for Eligible Expenditures from the Grant portion of the Financing under Category (1).

3. The Closing Date is December 31, 2023.

Section V. Other Undertakings

For purposes of implementation of Part A of the Project, the Recipient shall cause BTS to comply with the following provisions:

1. Except as the Association shall otherwise agree, BTS shall not incur any debt unless a reasonable forecast of the revenues and expenditures of BTS shows that the estimated net revenues of BTS for each of its fiscal years during the term of the debt to be incurred shall be at least 1.0 times the estimated debt service requirements of BTS in such year on all debt of BTS including the debt to be incurred.
2. For the purposes of this Section:

(i) The term “debt” means any indebtedness of BTS maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term “net revenues” means the difference between:

(A) the sum of revenues from all sources related to operations and net non-operating income; and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term “net non-operating income” means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(vi) The term “reasonable forecast” means a forecast prepared by BTS not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Association and BTS accept as reasonable and as to which the Association has notified BTS of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the
future to have, a material adverse effect on the financial condition or future operating results of BTS.

(vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.
ANNEX TO SCHEDULE 2

Modifications to National Competitive Bidding Procedures

The procedure to be followed for National Competitive Bidding shall be the “Single-Stage Bidding” method set forth in the Public Procurement Law of the Recipient dated April 3, 2015 № 72 (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 Procurement Guidelines and the following additional provisions:

1. Procuring entities shall use the appropriate standard bidding documents, including forms of contract acceptable to the Association, which shall be prepared so as to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Procurement Guidelines.

2. The eligibility of bidders shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines.

3. No restrictions in respect of eligibility to participate in bidding for contracts shall be placed on the basis of nationality of the bidder and/or the origin of goods other than those imposed by primary boycotts.

4. Foreign bidders shall be allowed to participate in National Competitive Bidding procedures without restrictions of any kind.

5. No preference of any kind shall be applied for domestic bidders and/or for domestically manufactured goods.

6. Bidding shall not be restricted to pre-registered firms, and foreign bidders shall not be required to be registered with local authorities as a prerequisite for submitting bids.

7. Foreign firms shall not be required to associate with a local partner in order to bid as a joint venture, and joint venture partners shall be jointly and severally liable for their obligations.

8. Government-owned enterprises in the Recipient’s territory shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient or sub-recipient. Such enterprises shall be subject to the same bid and performance security requirements as other bidders.
9. Prequalification procedures acceptable to the Association shall be used for large, complex and/or specialized projects.

10. Bidders shall be given at least thirty (30) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.


12. An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the expiration date and for a minimum period required to complete the evaluation or award a contract, but not to exceed thirty (30) days. No further extensions shall be requested without the prior concurrence of the Association.

13. Bids shall be opened in public, immediately after the deadline for their submission in accordance with procedures stated in the bidding documents. No bids should be rejected at bid opening unless they are late/submitted after the stipulated deadline.

14. Evaluation of bids shall be made in strict adherence to the quantifiable criteria declared in the bidding documents. Qualification criteria for bid evaluation shall be applied on a pass or fail basis. Evaluation criteria other than price shall be quantified in monetary terms.

15. Bids that are not substantially responsive to the technical specifications, contract conditions, or other critical requirements in the bidding documents shall be rejected.

16. Bid evaluations shall be confidential, and bidding committee meetings shall not be open to bidders and/or their representatives.

17. Post-qualification criteria shall only pertain to past contract performance, financial and technical capabilities of bidders.

18. Contracts shall be awarded to the bidder who submits the lowest-evaluated, substantially-responsive bid, and who is determined to be qualified to perform the contract in accordance with pre-defined and pre-disclosed evaluation criteria. No negotiation as to the price or substance of the bid shall take place.

19. If the procuring entity fails to conclude a contract with the lowest evaluated bidder, a contract may be awarded to the qualified bidder who is next ranked and whose bid is found substantially responsive. 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 concurrence.
20. Bidders shall be given at least twenty-eight (28) days from the receipt of notification of contract award to submit performance securities.

21. Each bidding document and contract financed out of the proceeds of the Financing shall include provisions stating the Association’s policy to sanction firms or individuals, found to have engaged in fraud and/or corruption as defined in the paragraph 1.16(a) of the Procurement Guidelines. The Association will sanction a firm or an individual, at any time, in accordance with prevailing Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded an Association-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded an Association-financed contract.

22. In accordance with the paragraph 1.16(e) of 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.

23. Complaints related to the procurement process shall be handled in accordance with the provisions of 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 April 15 and October 15</td>
<td>1.5625%</td>
</tr>
<tr>
<td>commencing April 15, 2024 to and including October 15, 2055</td>
<td></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; and "Affected Persons" means the plural thereof.

2. "Annual Work Plan" means the work plan prepared annually in accordance with the provisions of Section I.C of Schedule 2 to this Agreement, as approved by the Association.


4. "ARIS Project Implementing Entity" or "ARIS" means the Recipient’s Community Development and Investment Agency Kyrgyz Republic, or its legal successor.

5. "ARIS Project Implementation Unit" or "ARIS PIU" means the unit to be strengthened by ARIS for the purposes of implementation of its Respective Part of the Project pursuant to paragraph 2 (a) of Section I.A of Schedule 2 to this Agreement.

6. "ARIS Project Operational Manual" means the manual to be adopted by ARIS for the purposes of the implementation of its Respective Part of the Project pursuant to paragraph 3 (a) of Section I.A of Schedule 2 to this Agreement, as such manual may be amended from time to time with the Association’s prior written concurrence.

7. "ARIS Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the ARIS Project Implementing Entity.

8. "BTS Project Implementing Entity" or "BTS" means the Bishkekteplosot Open Joint Stock Company, a legal entity established pursuant to the Registration Certificate no.15573-3300-AO dated April 12, 2007 issued by the Recipient’s Ministry of Justice and functioning according to its charter approved by the shareholders’ general meeting dated April 9, 2015, or its legal successor.
9. "BTS Project Implementation Unit" or "BTS PIU" means the unit established by the Order of BTS General Director No. 68 dated April 27, 2015.

10. "BTS Project Operational Manual" means the manual to be adopted by BTS for the purposes of the implementation of its Respective Part of the Project pursuant to paragraph 3 (a) of Section I.A of Schedule 2 to this Agreement, as such manual may be amended from time to time with the Association's prior written concurrence.

11. "BTS Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the BTS Project Implementing Entity.

12. "Category" means a category set forth in the table in paragraph 1 of Section IV of Schedule 2 to this Agreement.


14. "ESMF" means the Environmental and Social Management Framework prepared and adopted by the Recipient for the purposes of the Project, in accordance with the Association and national environmental assessment rules and procedures, and disclosed in the Recipient's country on April 18, 2017 and on the Association's website on April 25, 2017 which contains, inter alia, guidelines for undertaking site-specific environmental and social measures under the Project, including (i) guidelines for the identification of existing environmental and social conditions and potential direct and indirect environmental and social impacts and risks resulting from the carrying out of the Project; (ii) guidelines for the carrying out of the environmental assessments and the preparation of environmental and social management plans (ESMPs), when applicable; (iii) recommendations of mitigation measures for each negative impact identified; (iv) measures for enhancing each identified positive impact; and (v) guidelines for the preparation of environmental and social monitoring plans for tracking the application of the mitigation measures, as such framework may be amended from time to time with the Association's prior approval.

15. "ESMP" means a site specific environmental and social management plan, satisfactory to the Association, to be prepared by the Project Implementing Entity pursuant to the provisions of ESMF in connection with the works to be implemented under its Respective Part of the Project, indicating, inter alia, the necessary prevention, mitigation and monitoring activities to be followed during the Project implementation along with the implementing arrangements, as such plan may be amended from time to time with the prior written approval of the Association, and "ESMPs" means the plural thereof.

17. "M&E" means monitoring and evaluation.

18. "Operating Costs" means incremental costs incurred by the Project Implementing Entity on account of the Project coordination, implementation and monitoring, including expenditures for vehicles operation and maintenance, minor office renovations, office supplies and consumables, utilities, communication, translation and interpretation, bank charges, Project related travel, including per diem and accommodation, salaries and Social Charges of contractual staff for the Recipient (but excluding salaries of the Recipient’s civil servants) and other miscellaneous costs directly associated with the Project implementation, all based on annual budgets acceptable to the Association.

19. "PAC" means Project Advisory Committee established by the Recipient pursuant to Section I.A.1 of Schedule 2 to this Agreement.


21. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated September 12, 2017 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.

22. "Project Implementing Entity" means any one of the following: ARIS Project Implementing Entity or BTS Project Implementing Entity, and "Project Implementing Entities" means both of these Project Implementing Entities jointly.

23. "Project Implementing Entity’s Legislation" means any one of the following: (i) for BTS, the charter approved by the shareholders’ general meeting dated April 9, 2015; and (ii) for ARIS, the Edict of the President of the Recipient No. 330, dated October 15, 2003, including any amendments thereto or any succeeding legislation.

24. "Project Operational Manuals" means jointly the manuals to be prepared and adopted by the Project Implementing Entities for their Respective Parts of the Project pursuant to Section 5.01 of this Agreement, satisfactory to the Association, and referred to in paragraph 3 (a) of Section I.A of Schedule 2 to this Agreement.

25. "RAP" or “Resettlement Action Plan” means a site-specific resettlement action plan, satisfactory to the Association, to be prepared by the Project Implementing
Entity pursuant to the provisions of RPF for compensation, resettlement and rehabilitation of Affected Persons, in connection with the works to be implemented under its Respective Part of the Project, as such plan may be amended from time to time with the prior written approval of the Association, and “RAPs” means the plural thereof.

26. “RPF” or “Resettlement Policy Framework” means the resettlement policy framework, prepared and adopted by the Project Implementing Entity for the purposes of the Project and disclosed in the Recipient’s country and on the Association’s website on March 27, 2017 satisfactory to the Association, setting forth, inter alia: (i) guidelines for resettlement-related activities and for preparation of a site-specific RAP, if deemed necessary during Project implementation; (ii) the range of potential impact and an entitlement matrix; (iii) the description of areas covered by the Project; (iv) the legal basis and screening process for land acquisition, resettlement and land use in connection with the works to be carried out under the Project; (v) the resettlement principles and entitlements of Affected Persons based on different categories of impact; (vi) the procedures for valuation, compensation and other assistance provided to the Affected Persons, including the grievance process; (vii) the responsibilities, procedures and requirements for the development and implementation of site specific resettlement action plans; and (viii) an estimate of cost of compensation.

27. “Safeguards Instruments” means ESMF, RPF, and all Supplemental Social and Environmental Safeguard Instruments, and “Safeguards Instrument” means any one of these instruments.

28. “Safety Checklist” means the list included in the Project Operational Manuals containing safety aspects required as part of the acceptance checklist for delivered and installed stoves to ensure their safe operation.

29. “Signature Date” means the latest 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.

31. “Subsidiary Agreement” means any one of the following: (i) ARIS Subsidiary Agreement; or (ii) BTS Subsidiary Agreement, and “Subsidiary Agreements” means both subsidiary agreements jointly.

32. “Supplemental Social and Environmental Safeguard Instrument” means any ESMP, RAP, Safety Checklist, or other site specific supplemental social and
environmental safeguard instruments as may be required under the terms of ESMF or RPF, and "Supplemental Social and Environmental Safeguard Instruments" means the plural thereof.

33. "Training" means Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers' contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, course fees and other related miscellaneous costs, all based on annual budgets satisfactory to the Association.

34. "Vostok Transmission Network" means the East transmission pipeline, one of the five transmission pipelines supplying heat from the Recipient's Combined Heat and Power Plant (CHP-1) to the southern and eastern parts of Bishkek city, and its related network components.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 5.13 (Procurement) is deleted in its entirety and the remaining section in Article V is renumbered accordingly.

2. Paragraphs 86 (Procurement Plan) and 87 (Procurement Regulations) in the Appendix are deleted in their entirety and the subsequent paragraphs are renumbered accordingly.