December 11, 2015

Mr. Kubanychbek Iskakovich Ismailov
Executive Director
Community Development and Investment Agency (ARIS)
102, Bokonbaev Street
Bishkek 720040
Kyrgyz Republic

Re:  Kyrgyz Republic: ECAPDEV Project Preparation Grant (TF0A1605)
Third Rural Water Supply and Sanitation Project

Dear Mr. Ismailov:

In response to the request for financial assistance made on behalf of the Community Development and Investment Agency ("ARIS") ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by the Russian Federation ("Donor") under the Trust Fund for Europe and Central Asia Region Capacity Development (TF071624), proposes to extend to the Recipient for the benefit of the Kyrgyz Republic ("Member Country"), a grant in an amount not to exceed two hundred and fifty thousand United States Dollars (US$250,000) ("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 activities 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.

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. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.
Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Saroj Kumar Jha
Regional Director
Central Asia

AGREED:

COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY (ARIS)

By

Authorized Representative

Name

Title Executive Director of ARIS

Date: December 28, 2015

Attachments:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(3) “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
ECAPDEV Trust Fund Grant No. TF0A1605
ANNEX

Article I
Standard Conditions; Definitions


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.

a) “Community Drinking Water User’s Union” or “CDWUUs” means the Recipient’s community based organizations providing operation and maintenance of water supply services in the rural areas.

b) “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in; (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and “Displaced Persons” means, collectively, the plural thereof.

c) “Environmental and Social Management Framework” or “ESMF” means the framework to be prepared by the Recipient acceptable to the World Bank, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of RWSSP-3 to offset or reduce adverse environmental, natural habitats and cultural property impacts to levels acceptable to the World Bank, and the guidelines for the preparation and implementation of the ESMPs (as hereinafter defined) as such framework may be updated from time to time with the World Bank’s prior written concurrence.

d) “Environmental and Social Management Plan” or “ESMP” means the plan, in form and substance satisfactory to the World Bank, prepared or to be prepared by the Recipient on the basis of the ESMF, giving details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as any such plan may be amended and/or supplemented from time to time with prior written approval of the Association; and “ESMPs” means, collectively, all or several such plans.

e) “Project Operational Manual” or “POM” means the manual to be prepared by the Recipient under Part I of this Grant in a manner satisfactory to the World Bank, setting forth all procedures and arrangements governing the implementation of the RWSSP-3, such as procurement and disbursement, as the same may be amended.
from time to time with the World Bank’s prior written concurrence, and such terms shall include any schedules, tables and annexes to the POM.

f) “Resettlement Action Plan” or “RAP” means the plan prepared by the Recipient on the basis of the RPF (as hereinafter defined) as the said plan may be amended and/or supplemented from time to time with the prior written concurrence of the World Bank and such term includes all schedules and agreements supplemental to said plan.

g) “Resettlement Policy Framework” or “RPF” means the framework to be prepared by the Recipient in form and substance acceptable to the World Bank, setting forth the policies and procedures for the acquisition of land and other assets, compensation, resettlement and rehabilitation of Displaced Persons, as the case may be, as said framework may be revised from time to time with the prior written concurrence of the World Bank; and such term includes all schedules and agreements supplemental to said framework.

h) “RWSSP-3” means the proposed Third Rural Water Supply and Sanitation Project.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Grant is to support the Member Country in preparing the RWSSP-3 and in strengthening its capacity to implement the proposed Project. The preparation activities ("Activities") that the Grant will finance consist of the following Parts:

**Part 1: Beneficiary Survey for Baseline Collection and Updating of EMF, RPF and POM**

Provision of support for:

- a) carrying out a baseline survey for the preparation of a monitoring and evaluation framework; and
- b) preparing the POM, ESMF and RPF for the RWSSP-3 and ESMPs and RAPs which may be required for the sub-projects in Part 2 (a) of this Annex.

**Part 2: Technical Design Preparation**

Provision of technical support for:

- a) defining the selection criteria for sub-projects and carrying out the preliminary selection of said sub-projects; and
- b) preparing the technical designs, conducting the field surveys, preparing hydraulic modelling and costs estimates for the initial selected 5 sub-projects.

**Part 3: Training, Capacity Strengthening and Workshops**

Provision of technical support for:

- a) preparing and implementing Training for the Department of Water Supply and Sanitation staff and participating CDWUUs;
- b) conducting a consultation workshop on priority water sector reforms and updating the Water Supply and Sanitation Action Plan.

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 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 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** For purposes of carrying out the Project, the Recipient shall maintain at all times during Project implementation, professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank, to perform all Project related functions including, *inter alia*, procurement and financial management.
2.04. **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 the indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one 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 months after the Closing Date.

2.05. **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 Activities are prepared and furnished to the World Bank on a semi-annual basis not later than forty-five (45) days after the end of each calendar semester, covering the semester, 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. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. **Procurement.** All goods, non-consulting services, and/or consulting services required for the Activities and to be financed, fully or partially, out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 and revised in July 2014 (“Procurement Guidelines”), and the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 and revised in July 2014 (“Consultant Guidelines”).

2.07. Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared by the Recipient and approved by the Bank in accordance with the Procurement Guidelines and the Consultant Guidelines, prior to initiating the procurement process for any such contract.

**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 “World Bank Disbursement Guidelines for Projects” dated May 2006, 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) Consultants’ services including audit</td>
<td>233,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>500</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training and Workshops</td>
<td>9,300</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>7,200</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>250,000</td>
<td></td>
</tr>
</tbody>
</table>

Unless otherwise agreed with the World Bank, the Recipient shall ensure that the amounts allocated to finance Eligible Expenditures under Categories 2, 3 and 4 do not exceed the financing thresholds of said Eligible Expenditures pursuant to the Rules of Operation.

For the purposes of this paragraph, the term:

a) "Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of Activities implementation, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and per diem for Recipient’s staff for travel linked to the implementation of the Activities, and salaries of contractual staff for the Recipient (but excluding consultants’ services and salaries of officials of the Member Country);

b) "Rules of Operation" means the World Bank’s set of rules and procedures dated July 2014 applicable to the Multi-donor Programmatic Trust Fund for Europe and Central Asia Region Capacity (ECAPDEV), containing inter alia: the criteria for eligible countries, the approval process for grants, the financing thresholds of Eligible Expenditures and the applicable governance arrangements; as the same may be amended from time to time by agreement between the Donor(s) of ECAPDEV and the World Bank.
c) "Training and Workshops" means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Activities, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants’ services).

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 either (a) 12 months after the Effectiveness Date; or (b) the date on which the World Bank declares the RWSSP-3 effective whichever comes first.

**Article IV**
**Recipient's Representative; Addresses**

4.01. **Recipient's Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Executive Director.

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

Community Development and Investment Agency (ARIS)
102, Bokonbaev Street
Bishkek 720040
Kyrgyz Republic

Facsimile: (996-312) 62 47 48

4.03. **World Bank's Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Telex: Facsimile:

248423 (MCI) or 64145 (MCI) 1-202-477-6391