Mr. Bakhyt Sultanov  
Minister of Finance  
Ministry of Finance  
11 Pobeda Avenue  
Astana 010000  
Republic of Kazakhstan

Dear Mr. Sultanov:

Re: Kazakhstan: Capacity Building for Public Sector Accounting Project  
SAFE MDTF Grant No. TF017724

In response to the request for financial assistance made on behalf of the Republic of Kazakhstan ("Recipient") through the letter of the Ministry of Finance dated December 20, 2013 #13/517, I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by the Swiss Confederation, represented by the Swiss State Secretariat for Economic Affairs, SECO ("Donor") under the Trust fund for Strengthening Accountability and the Fiduciary Environment (SAFE) in South East Europe and Central Asia (TF071422), proposes to extend to the Recipient a grant in an amount not to exceed one hundred and seventy-one thousand five hundred United States Dollars (US$171,500) ("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 Donor. 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 Donor 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.
Mr. Bakhyt Sultanov

October 30, 2014

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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank,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 BANK FOR RECONSTRUCTION AND DEVELOPMENT

Saroj Kumar Jha
Regional Director
Central Asia

AGREED:
REPUBLIC OF KAZAKHSTAN

By
Authorized Representative
Name MR. BAKHYT SULTANOV
Title MINISTER OF FINANCE
Date: January 27, 2015

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
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, and the following additional terms have the following meanings:

(a) "IPSAS" means International Public Sector Accounting Standards issued by the IPSAS Board of the International Federation of Accountants.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to improve capacity of specialists of the Ministry of Finance of the Republic of Kazakhstan to implement public sector accounting and financial reporting reforms in line with accrual IPSAS. The Project consists of the following parts:

Part 1: Capacity Building

Review of the progress achieved and familiarization with international experiences in implementing IPSAS and accrual method-based accounting and reporting in the public sector, particularly:

(i) Provision of consultant’s services to carry out a review of the progress of IPSAS implementation and preparation of recommendations for the improvement of current standards and methodology considering implementation practicalities;
(ii) Study tour for policy makers to a country with advanced implementation of IPSAS to learn about the next steps required to finalize the implementation process in Kazakhstan; and
(iii) Provision of consultant’s services to develop a concept note for the certification of public sector accountants.

Part 2: Project Management

Financing of expenditures related to project management, including operational expenses associated with the project, including financial management and procurement activities.

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 its Ministry of Finance 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.** The Department for Accounting and Audit Methodology of the Ministry of Finance of the Recipient will be in charge of the day-to-day implementation of the Project, under the leadership of the Vice Minister of Finance. The Department for Accounting and Audit Methodology of the Ministry of Finance of the Recipient will be responsible for organizing project activities, maintain records of Project activities, monitor implementation progress and report periodically to the stakeholders in accordance with the provisions of this Agreement. The Ministry of Finance of the Recipient will also maintain records and accounts of all expenditures related to implementation of the Project, and will report on the utilization of the funds with linkage to achieved results, all in accordance with the provisions of this Agreement, and as agreed with the World Bank.

2.04. **Donor Visit.** 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 Donor to visit any part of the Recipient’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 calendar semester, and shall be furnished to the World Bank not later than forty five days 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. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants whose qualifications, experience and terms of reference are acceptable to the World Bank in accordance with the provisions of Section 2.07 of this Agreement.

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 as part of the Project Report not later than one month after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall, upon the World Bank’s request, 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 period indicated in the World Bank’s request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the date of the World Bank’s request.

2.07. **Procurement**

(a) General. All goods and consultants’ 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:

(i) Section I of 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"), in the case of goods;

(ii) Sections I and IV of 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") in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank 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.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments 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) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by 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
“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, training, and operating costs</td>
<td>171,500</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>171,500</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this table:

(a) “Training” means a study tour for policy makers to a country with advanced implementation of IFSAS to learn about the next steps required to finalize the implementation process in Kazakhstan.

(b) “Operating Costs” means the reasonable operating costs, as shall have been approved by the World Bank, for the Project including consumable materials and supplies, communications, printing services, charges for the opening and operation of bank accounts required for the Project, and fees for the Project financial statements audit, but excluding salaries of officials of the Recipient’s civil service.

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 countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2015.

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 Minister of Finance.

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

    Ministry of Finance
    11 Pobeda Avenue
    Astana 010000
    Republic of Kazakhstan
Telex: Facsimile:
265126 (FILIN) 7-7172-717785

4.03. **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
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: Telex: Facsimile:
INTBAFRAD 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)