September 18, 2017

H. E. Adylbek A. Kasymaliev
Minister of Finance
Ministry of Finance
58 Erkindik Blvd.
Bishkek City, 720040
Kyrgyz Republic

KYRGYZ REPUBLIC: ECAPDEV Project Preparation Grant for the proposed
Digital Central Asia South Asia Project (TF0A5602)
Letter Agreement

Excellency:

In response to the request for financial assistance made on behalf of the Kyrgyz Republic (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”), acting as administrator of grant funds provided by various donors (“Donors”) under the Multi-Donor Programmatic Trust Fund for Europe and Central Asia Region Capacity Development (ECAPDEV) (TF071624), proposes to extend to the Recipient, a grant in an amount not to exceed three hundred fifty thousand United States Dollars (USD350,000) (“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: (a) it understands that the provision of the Agreement does not constitute or imply any commitment on the part of World Bank to assist in financing the proposed Digital Central Asia South Asia Project; and (b) 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.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Bolormaa Amgaabazar
Country Manager

ARGEED:

KYRGYZ REPUBLIC

By

Authorized Representative

Name: Adylbek Kasymalie

Title: Minister of Finance

Date: October 20, 2017

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with the "Disbursement Guidelines for Investment Project Financing", dated February 2017.
Annex

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.

The following definitions will have the following meanings:

(a) "Digital Central Asia South Asia Project" or "Digital CASA Project" means the proposed project for the preparation of which the World Bank has made this Grant available and in support of which the Recipient has requested or intends to request the World Bank's financial assistance;

(b) "Incremental Operating Costs" means reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of the Project implementation, consisting of banking charges, communication expenses and equipment, translation services, 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 Project, and salaries and Social Charges of contractual staff for the Recipient, (but excluding consultants' services and salaries of officials of the Recipient) and other reasonable costs directly associated with implementation of Project activities as approved by the World Bank;

(c) "PIU" means the project implementation unit within the SCICT;

(d) "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 Development (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 Donors of ECAPDEV and the World Bank;

(e) "SCICT" means the Recipient’s State Committee on Information and Communication Technology established pursuant to resolution of the Kyrgyz Republic No. 402, dated July 15, 2016;

(f) "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, agreed with the World Bank; and
"Training" means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Project, 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).

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to facilitate the preparation of the proposed Digital CASA Project.

The Project consists of the following activities:

(i) Establishment and day-to-day operation of the Project Implementation Unit (PIU), including fiduciary, financial, monitoring and evaluation activities, setting-up of the needed logistics arrangements, and the recruitment of staff required for the purpose;

(ii) Support for the preparation of key Project documents and related technical assistance, including inter alia: (a) technical studies and documents needed to inform project preparation, such as results framework, market research to inform procurement strategy document, project indicators baseline survey, and the Project operational manual; and (b) the safeguard documents for the proposed Digital Central Asia South Asia Project;

(iii) Capacity building of selected SCICT staff and line ministries on Project cycle and World Bank’s procurement and financial management guidelines and procedures; and

(iv) Provision of consultant’s services, Training and Incremental Operating Costs to PIU for the Project implementation and financing of Project audits.

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 the PIU 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. For purposes of carrying out the Project, the Recipient shall maintain PIU at all times during the Project implementation, with professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank.

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 indicators acceptable to the World Bank.
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.

2.05. **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 Project are prepared and furnished to the World Bank 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 the Project Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. The audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. 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.

2.06. **Procurement.** All goods 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 Borrowers under Investment Project Financing” dated July 1, 2016 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Project (“Procurement Plan”) dated July 20, 2017, 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) Consultants’ services</td>
<td>303,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training</td>
<td>34,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incremental Operating Costs</td>
<td>13,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>350,000</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 and 3 do not exceed the financing thresholds of said Eligible Expenditures pursuant to the Rules of Operation.

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, except that withdrawals up to an aggregate amount not to exceed seventy thousand United States Dollars ($70,000) may be made for payments made prior to this date but on or after May 1, 2017 for Eligible Expenditures under Categories (1), (2), and (3).

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is either: (a) twelve (12) months after the Effective Date (as such date further referred to in Section 5.03 of the Annex to this Agreement); or (b) the date on which the World Bank declares the proposed Digital Central Asia South Asia Project effective whichever comes first.

### Article IV

**Effectiveness; Termination**

4.01. 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 execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental actions.

4.02. As part of the evidence to be furnished pursuant to Section 4.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.

4.03. 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 4.01 (“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.

4.04. *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 V**

**Recipient's Representative; Addresses**

5.01. *Recipient's Representative.* The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

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

Ministry of Finance  
58 Erkindik Blvd.  
Bishkek City, 720040  
Kyrgyz Republic

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

5.03. *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: 248423 (MCI) or  
Facsimile: 1-202-477-6391