Financing Agreement

(Second Health and Social Protection Project)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 16, 2013
FINANCING AGREEMENT

AGREEMENT dated \underline{December 16}, 2013, entered into between the 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (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 four million nine hundred thousand Special Drawing Rights (SDR 4,900,000) ("Grant"); and

(b) an amount equivalent to five million nine hundred thousand Special Drawing Rights (SDR 5,900,000) ("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 payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
2.05. The Payment Dates are February 15 and August 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 the U.S. Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project and the Den Sooluk Program. To this end, the Recipient shall carry out Parts A and C of the Project through the MoH and shall carry out Part B of the Project through the MSD in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following: namely, that a situation has arisen which shall make it improbable that the Program or a significant part thereof, will be carried out.

4.02. The Additional Event of Acceleration consists of the following: any of the events 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 Conditions of Effectiveness consist of the following:

(a) The Project Operational Manual, satisfactory to the Association, has been updated to reflect activities under the Program, including project accounting and reporting (including simplified un-audited interim financial reports), funds flow, audit arrangements, disbursement procedures, an updated harmonized procurement manual for health facilities, and standard bidding documents that are consistent with the Procurement Guidelines and the Consultant Guidelines.

(b) The Recipient has contracted with external auditors, acceptable to the Association, to prepare financial and operational audit reports as required by this Agreement.
(c) The Recipient has submitted to the Association a status report on its action plan to resolve issues raised by the audit of the 2011 financial statements of the Health and Social Protection Project, IDA Grant No. H197 KG, and said status report is acceptable to the Association.

(d) The Ministry of Health has retained at least one qualified contract management specialist, procurement consultant and procurement assistant, all with terms of reference and qualifications acceptable to the Association.

5.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement.

5.03. For purposes of Section 8.05(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 (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

58 Erkindik Blvd.
Bishkek City, 720040
Kyrgyz Republic

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

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at Bishkek, Kyrgyz Republic, as of the day and year first above written.

KYRGYZ REPUBLIC

By

Authorized Representative

Name: Olga Lavrova
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Alexander Krench
Title: Country Manager
SCHEDULE 1

Project Description

The objectives of the Project are to (1) improve health outcomes in four health priority areas in support of the “Den Sooluk” National Health Reform Program 2012-2016 (the Program); and (2) enable the Government’s efforts to enhance the effectiveness and targeting the performance of social assistance and services.

The Project consists of the following parts:

Part A: Support for Implementation of the “Den Sooluk” National Health Reform Program

Support to MoH in the implementation of the Program and its associated Annual Programs of Work to be agreed upon annually between the Recipient and the Association, including strengthening MoH’s institutional and fiduciary capacities and support to the State Guaranteed Benefits Package. The Program will prioritize the following health improvement areas for gains in health outcomes and improvement in the delivery of core services: cardiovascular disease, mother and child care, tuberculosis, and Human Immunodeficiency Virus.

Part B: Strengthening the Policy and Administrative Capacity of the Ministry of Social Development

(1) Improving effectiveness of the social safety net, particularly in the areas of protecting the needy against dire poverty and loss of human capital in an inclusive manner and insuring against impacts of different shocks, through technical assistance and training; and

(2) Support to strengthening the national policy towards vulnerable groups, including people with special needs, through technical assistance and training.

Part C: Contingent Emergency Response

Improving the Recipient’s response capacity in the event of an Eligible Crisis or Emergency, as needed, for health or social protection sector expenditures.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall carry out the Project in accordance with the provisions of the Project Operational Manual and shall not amend, suspend, abrogate, repeal or waive any provision of the Project Operational Manual without prior approval of the Association.

2. The Recipient shall not amend, suspend, abrogate, repeal or waive any provisions of the Program unless such changes are satisfactory to the Association.

3. On behalf of the Recipient, MoH shall have the overall leadership and coordination role for the execution of the Project, with staffing and resources adequate to enable it to effectively oversee the Project implementation. MoH shall designate its Financial Policy Department to:

   (a) prepare applications for withdrawal of the Financing proceeds;

   (b) maintain records and accounts related to the Project and to arrange the audits thereof; and

   (c) incorporate procurement activities reports into annual reports referred to in paragraph 4(c) of Section I of this Schedule.

4. The Recipient, through MoH, shall:

   (a) not later than November 15 of each year during the implementation of the Project, or such later date as may be agreed by the Association, submit to the Association an APW, satisfactory to the Association, prepared in accordance with the format included in the Project Operational Manual and which shall include agreed amounts of Transfers for APWs for the following Fiscal Year;

   (b) not later than November 15 of each year during the implementation of the Project, or such later date as may be agreed by the Association, submit to the Association an updated Procurement Plan consistent with the proposed APW;

   (c) not later than September 15 of each year during the implementation of the Project or such later date as may be agreed by the Association,
provide to the Association for its review, a report on the progress achieved in the carrying out of the Project during the preceding period of July 1 to June 30, as monitored pursuant to indicators and monitoring arrangements and as set forth in the Project Operational Manual;

(d) on an annual basis, jointly undertake with the Association and other Development Partners a review of the Project activities based on the report referred to in sub-paragraph (c) above; and

(e) on an annual basis, participate in technical meetings with the Association and other Development Partners.

5. The Recipient, through MoH, shall maintain until completion of the Project, the Health Policy Council, headed by the MoH, consisting of the state secretary, deputy ministers, and heads of departments, including representatives of MHIF, that will be responsible for coordinating the Project activities.

6. The Recipient shall maintain until completion of the Project the Inter-ministerial Coordination Committee consisting of representatives of MoH, MoF, and MSD. The Inter-ministerial Coordination Committee will be responsible for: (a) inter-ministerial coordination and harmonization of the Project activities; and (b) the review of the functioning of a complaint mechanism for considering allegations of the misuse of funds and taking follow up measures in case of serious or unresolved complaints by internal auditors and/or third party audit to ensure the independence and reliability of the system.

7. The Recipient, through MoH and MHIF, shall maintain internal audit functions, including scopes of work and number of personnel, satisfactory to the Association.

8. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) following the implementation of the first APW, exchange views with the Association and undertake any corrective measures, as agreed upon by the Association, for the implementation of the Project;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about August 15, 2015, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, on the
progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) review with the Association, by October 15, 2015, or such later date as the Association shall request, the report referred to in sub-paragraph (c) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

9. The Recipient, through MoH, shall ensure that evaluation studies are conducted at least twice during Project implementation separately for each of the four priority areas of the Program.

10. By no later than six months after the Effective Date, the Recipient, through MoH, shall prepare a multi-year strategy for the improvement of the public procurement system for the health sector, including a capacity building needs analysis.

11. By no later than one year after the Effective Date, the Recipient, through MoH, shall procure technical assistance to develop and implement a comprehensive fiduciary capacity building plan for the health sector, with a focus on all health facilities, with terms of reference satisfactory to the Association.

12. By no later than August 15, 2015, the Recipient, through MoH, shall procure technical assistance to strengthen the internal audit function within MoH and MHIF, including automation of the audit workflow, with terms of reference satisfactory to the Association.

13. In the event that an Emergency arises and in order to ensure the proper implementation of Part C of the Project, the Recipient, through MoH, shall:

(a) prepare an emergency financing plan (“Emergency Financing Plan”) which shall set forth detailed implementation arrangements for Part C, including: (i) designation of resources to be allocated to the MoH for coordinating and implementing Part C; (ii) specific activities which may be included in Part C, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for Part C; (iv) procurement methods and procedures for Emergency Expenditures to be financed under Part C; (v) documentation required for withdrawals of Emergency
Expenditures; and (vi) any other arrangements necessary to ensure proper coordination and implementation of Part C;

(b) afford the Association a reasonable opportunity to review said Emergency Financing Plan;

(c) promptly adopt such Emergency Financing Plan for Part C as shall have been approved by the Association;

(d) ensure that Part C is carried out in accordance with the Emergency Financing Plan; provided, however, that in the event of any inconsistency between the provisions of the Emergency Financing Plan and this Agreement, the provisions of this Agreement shall prevail;

(e) not amend, suspend, abrogate, repeal or waive any provision of the Emergency Financing Plan without prior approval by the Association; and

(f) not undertake activities under Part C unless and until the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in Part C in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof.

B. **Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the Governance and Anti-Corruption Action Plan.

C. **Safeguards**

1. The Recipient shall carry out the Project in accordance with the EMF and any site-specific EMPs that are prepared pursuant to the EMF and are satisfactory to the Association.

2. The Recipient shall not amend, suspend, abrogate, repeal or waive any provisions of the EMF or any site-specific EMPs without the prior approval of the Association.

3. The Recipient shall ensure that all measures necessary for the carrying out of the EMF and the EMPs are taken in a timely manner.
4. The Recipient shall ensure that site-specific EMPs are prepared and are satisfactory to the Association prior to the commencement of any works financed by the Project.

5. The Recipient shall not undertake any activities involving land acquisition and/or resettlement.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar year, and shall be furnished to the Association in accordance with the schedule set forth above in Section I.A., paragraph 4(c).

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one Fiscal Year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

4. The Recipient shall have the internal control framework, the operational processes and procedures followed under Part A of the Project, audited for each Fiscal Year in accordance with terms of reference and by independent auditors both acceptable to the Association. Each such operational audit shall cover the period of one Fiscal Year of the Recipient. The report of the operational audit for each such period shall be furnished to the Association not later than six months after the end of such period.
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 Section II of the Appendix to this Agreement;
   (b) Limited International Bidding;
   (c) Shopping;
   (d) Framework Agreements;
   (e) Direct Contracting; and
   (f) Procurement from UN Agencies.
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;
   (f) Selection of Individual Consultants; and
   (g) Selection of UN Agencies.

D. **Procurement of Emergency Expenditures under Part C of the Project**

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for Part C of the Project shall be procured in accordance with the procurement methods and procedures set forth in the Emergency Financing Plan.

E. **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.

F. **Procurement Post Review Report at Health Facility Level**

On an annual basis, the Recipient shall have its procurement at health facilities reviewed by an independent consultant with terms of reference satisfactory to the Association. Each Procurement Post Review Report shall cover the period of one Fiscal Year of the Recipient. The Procurement Post Review Report for each such period shall be furnished to the Association not later than six months after the end of such period.
Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Credit and 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 Credit Allocated (expressed in SDR)</th>
<th>Percentage of Credit Expenditures to be Financed (inclusive of Taxes)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Grant Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Transfers for APWs under Part A of the Project</td>
<td>4,830,000</td>
<td>Such shares of Eligible Program Expenditures as shall be agreed upon between the Recipient and the Association for respective APWs</td>
<td>4,020,000</td>
<td>Such shares of Eligible Program Expenditures as shall be agreed upon between the Recipient and the Association for respective APWs</td>
</tr>
<tr>
<td>(2) Goods, consultants’ services, Training, and Incremental Operating Costs for Part B of the Project</td>
<td>1,070,000</td>
<td>100%</td>
<td>880,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Emergency Expenditures under Part C of the Project</td>
<td>0</td>
<td>100%</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>5,900,000</td>
<td></td>
<td>4,900,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement;

   (b) for payments under Category 1 for the first quarter of the Fiscal Year unless the Recipient has either (i) provided to the Association a list of
signed contracts and contracts intended to be signed as of December 31 for which payments will be due in the first quarter of the next Fiscal Year or (ii) approved the Republican's budget for the Fiscal Year covered by the respective APW;

(c) for payments under Category 1 after the first quarter of the Fiscal Year unless the Republican's budget for the Fiscal Year covered by the respective APW has been approved by the Recipient; and

(d) for payments under Category 3 for Emergency Expenditures under Part C of the Project, unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:

(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in Part C in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has adopted an Emergency Financing Plan in form, substance and manner acceptable to the Association and the provisions of the Emergency Financing Plan remain - or have been updated in accordance with the provisions of Section I of this Schedule 2 so as to be - appropriate for the inclusion and implementation of said activities under Part C; and

(iii) the Recipient has ensured that no expenditures in the Emergency Financing Plan finances salaries or any activities that are not in compliance with the EMF or any of the Association's safeguard policies.

2. The withdrawals from the Credit and Grant accounts for Category 1 shall be made quarterly on the basis of an APW for the respective Fiscal Year and a report to be submitted to the Association in form and substance satisfactory to the Association, such report to include interim unaudited financial reports for the preceding quarter, forecast of expenditures for the next semester, an updated Procurement Plan, progress against agreed sector monitoring indicators for the preceding quarter, and other information as the Association shall specify by notice to the Recipient. In the first such request submitted to the Association, information regarding progress against agreed sector monitoring indicators shall not be required.
3. The amounts deposited into the Designated Account shall be exclusively used for the Eligible Program Expenditures.

4. Notwithstanding the provisions of paragraph 2 above, the Association shall not be required to make further deposits into the Designated Account:

   (a) if the Association, at any time, is not satisfied that the reports referred to in paragraph 2 adequately provide the information required in Section II of this Schedule, as such information and the scope of the reports are specified in the Project Operational Manual; and

   (b) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Section II.B., paragraphs 3 and 4 of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (i) financial statements, including the records and accounts for the Designated Account; and (ii) the operational audit with respect to internal controls and operational procedures.

5. The Association shall not be required to make further deposits into the Designated Account in accordance with the provisions of paragraph 2 above if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Financing Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Designated Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Association determines at any time that any amount deposited in the Designated Account was utilized for an expenditure which is not an Eligible Program Expenditure, or was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Designated Account (or, if the Association shall so request, refund to the Association) an amount equal to such expenditure not so justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Designated Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

   (b) Refunds to the Association made pursuant to sub-paragraph (a) of this paragraph 6 shall be credited to the Credit Account or Grant Account, as
appropriate, for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement.

7. The Closing Date is December 31, 2018.
**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 February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>commencing August 15, 2023 to and including February 15, 2033</td>
<td>1%</td>
</tr>
<tr>
<td>commencing August 15, 2033 to and including February 15, 2053</td>
<td>2%</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 3.03(b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Annual Program of Work" or "APW" means the annual program of activities included in the Den Sooluk Program to be carried out in each Fiscal Year (as defined hereinafter) under the Den Sooluk Program, as agreed upon between the Recipient and the Association pursuant to paragraph 4 of Schedule 2, Section I.A. to this Agreement.


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


5. "Development Partners" means any country, agency, or organization that has agreed to finance the Den Sooluk Program and has signed the Memorandum of Understanding executed by the Recipient, the Association, and other Development Partners setting forth the framework of cooperation for purposes of implementing the Program.

6. "Eligible Crisis or Emergency" means an event that has caused, or is likely to imminent cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster, as determined pursuant to Section I. A.(13)(f) of Schedule 2.

7. "Eligible Program Expenditures" means the expenditures for goods, works, consultants’ services, training, incremental operating costs and recurrent costs required for carrying out the Project in accordance with the respective APW.

8. "Emergency Expenditure" means any of the Eligible Expenditures set forth in the Emergency Financing Plan in accordance with the provisions of Section I.A.(13)(a) of Schedule 2 to this Agreement and required for the activities included in Part C of the Project.

9. "Emergency Financing Plan" means the plan referred to in Section I. A.(13)(a) of Schedule 2 to this Agreement.
10. "EMF" means the Environmental Management Framework prepared and adopted by the Recipient on December 17, 2012, describing the environmental mitigation, monitoring and institutional measures under the Project.

11. "EMP" means a site-specific Environmental Management Plan, prepared and adopted pursuant to the EMF, for site-specific construction or rehabilitation activities under a respective APW under Part A of the Project.

12. "Fiscal Year" means the twelve (12) month period beginning January 1 and ending December 31 of each year.


15. "Health Policy Council" means the council established by a Decree of the Recipient's Minister of Health No.130 dated April 2, 2002 and referred to in paragraph 4 of Schedule 2, Section I.A. to this Agreement.

16. "Incremental Operating Costs" shall mean the expenses incurred by the Recipient's MoH, MHIF, or MSD for the incremental expenses on account of Project implementation, management, monitoring, including utilities, supplies, communications, maintenance costs, advertising expenses, Social Charges, bank charges, travel and per diems for employees of the MoH, MHIF, or MSD, salaries and statutory contributions of support staff, but not including salaries of officials or employees of the Recipient's civil service, as well as any contributions by these officials or employees to any Social Fund.

17. "MHIF" means the Mandatory Health Insurance Fund of the Recipient established by a Decree of the President of the Recipient No. 326 dated November 22, 1996, or any legal successor thereto.

18. "MoF" means the Ministry of Finance of the Recipient or any legal successor thereto.

19. "MoH" means the Ministry of Health of the Recipient or any legal successor thereto.

20. "MSD" means the Ministry of Social Development of the Recipient or any legal successor thereto.

22. “Procurement Plan” means the Recipient’s procurement plan covering the first and each successive APW, as the same shall be updated from time to time in accordance with this Agreement.


24. “Project Operational Manual” means the manual to be adopted by the Recipient pursuant to Section 5.01(a) of this Agreement, describing procedures for implementation of the Project, consistent with the provisions of this Agreement and with the national laws and regulations of the Recipient and including, inter alia: (i) procedures governing administrative, procurement (including the Harmonized Procurement Manual for Health Facilities), accounting, financial management, including adequate measures for procurement and forensic audits and complaint mechanisms in case of misuse of the proceeds of the Financing, and monitoring and evaluation arrangements; and (ii) sample formats of Annual Program of Work and annual reports.

25. “Social charges” means any payments, premiums or contributions for health benefits, unemployment benefits, disability insurance, workers’ compensation benefits, retirement (pension or social security) benefits, and life insurance, which constitute payment for the drawdown of future benefits to the staff concerned.


27. “Training” shall mean the expenses incurred by the MoH, MHIF, or MSD in connection with study tours, training courses, seminars, workshops and other training-related activities under the Project including travel costs and per diem for participants, trainers and trainees, trainers’ fees, rental of training facilities, preparation and reproduction of training materials and other activities incidental to the preparation and implementation of training activities.

28. “Transfers for APWs” means the amount of the proceeds of the Financing transferred by the Association, through the Recipient’s MoF to MoH’s budget, to cover reasonable costs of goods, works, consultants’ services, Training, Incremental Operating Costs and recurrent costs required for the implementation
of the respective APW, as such amounts are agreed upon between the Recipient and the Association.
Section II. Modifications to National Competitive Bidding (NCB) Procedures

The procurement procedure to be followed for National Competitive Bidding shall be the tendering with unlimited participation procurement method set forth in the Law of the Kyrgyz Republic on Public Procurement No. 69 of May 24, 2004 (as amended by the following laws of the Kyrgyz Republic: (i) Law No. 172 dated July 28, 2008; (ii) Law No. 236 dated July 20, 2009; and (iii) Law No. 88 dated July 8, 2011) (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 “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” (January 2011) (the “Procurement Guidelines”) and the following additional provisions:

1. **Eligibility:** Eligibility of bidders to participate in a procurement process and to be awarded an Association-financed contract 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 Bank or Association for reasons other than those provided in Section I of the Procurement Guidelines.

2. **Domestic Preference:** No domestic preference may be applied in bid evaluation on the basis of bidder nationality, the origin of goods, services or labor, and/or preferential programs.

3. **Registration and Licensing:** Registration shall not be used to assess bidders' qualifications. A foreign bidder shall not be required to register or obtain a license as a condition for submitting its bid, and a foreign bidder recommended for contract award shall be given a reasonable opportunity to register or obtain a license, with the reasonable cooperation of the Borrower, prior to contract signing.

4. **Bidding Documents:** Procuring entities shall use the appropriate standard bidding documents acceptable to the Association, which documents shall be prepared so as to ensure economy, economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines.

5. **Bid Validity:** The bid validity period required by the bidding documents shall be sufficient to account for any period that may be required for the approval and registration of the contract as contemplated in the PPL. An extension of bid validity, if justified by exceptional circumstances, may be requested in writing from all bidders before the original bid validity expiration date, provided that such extension shall cover only the minimum period required to complete the evaluation, award a contract, and/or complete the contract registration process. No further extensions shall be requested without the prior written concurrence of the Association.
6. **Qualification:** Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a "pass or fail" basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder's or prospective bidder's capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (a) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (b) financial position; and where relevant (c) capability of construction and/or manufacturing facilities. Prequalification procedures and documents acceptable to the Association shall be used for large, complex and/or specialized works contracts. Verification of the information upon which a bidder was prequalified, including current commitments and the bidder's capability with respect to personnel and equipment, shall be carried out at the time of contract award. In the procurement of goods and works where prequalification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying the qualification criteria stated in the bidding documents.

7. **Cost Estimates and State Unit Costs:** Cost estimates shall be confidential and shall not be disclosed to prospective bidders. No bids shall be rejected on the basis of comparison with the cost estimates and/or budget ceiling without the Association's prior written concurrence. State unit costs shall not be used for contract budgeting and/or for evaluation for civil works contracts.

8. **Bid Submission and Bid Opening:** Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids. Bids shall be opened in public, immediately after the deadline for their submission. No bids shall be rejected at bid opening. A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids, and to the Association with respect to contracts subject to the Association's prior review.

9. **Rejection of Bids and Re-bidding:** No bids shall be rejected solely because they exceed the estimated cost. 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 written concurrence.

10. **Bid Evaluation:** Evaluation criteria shall be clearly specified in the bidding documents. Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. All bid evaluation criteria other than price shall be quantifiable in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation. Bidders shall not be eliminated on the basis of minor, nonmaterial deviations. Contracts shall be awarded to the qualified bidder whose
bid has been determined: (i) to be substantially responsive to the bidding documents; and (ii) to offer the lowest-evaluated cost. No negotiations shall be permitted in connection with the bid evaluation or the contract registration process.

11. **Guarantees:** Guarantees shall be in the format specified in the bidding documents. The bid guarantee shall be valid for twenty-eight days (28) beyond the original validity period of the bid, or beyond any period of extension if requested.

12. **Contract Modifications:** With respect to contracts subject to the Association’s prior review, the Borrower shall obtain the Association’s no objection before agreeing to: (i) a material extension of the stipulated time for performance of a contract; (ii) any substantial modification of the contract scope of services or other significant changes to the terms and conditions of the contract; (iii) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (iv) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.

13. **Fraud and Corruption:** The bidding documents and contract as deemed acceptable by the Association shall include provisions stating the Association’s policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

14. **Inspection and Audit Rights:** In accordance with 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.