Financing Agreement

(Digital CASA - Kyrgyz Republic 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 seventeen million two hundred thousand Special Drawing Rights (SDR 17,200,000) ("Grant"); and

(b) an amount equivalent to seventeen million two hundred thousand Special Drawing Rights (SDR 17,200,000) ("Credit").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III 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 The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.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 objectives of the Project. To this end, the Recipient shall carry out the Project through SCITC, in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following, namely that the SCITC’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the SCITC to perform any of the Recipient’s obligations under this Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that any 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, namely that the Project Operational Manual has been adopted by SCITC, in a form and substance acceptable 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 (20) 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: 245-156 NUR KH
    Facsimile: (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: 248423 (MCI)
    Facsimile: 1-202-477-6391
AGREED as of the Signature Date.

KYRGYZ REPUBLIC

By

[Signature]

Authorized Representative

Name: Adylbek Kasymaliev
Title: Minister of Finance
Date: 02.07.2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Bolormaa Burgalaa
Title: Country Manager
Date: July 2, 2018
SCHEDULE 1

Project Description

The objectives of the Project are: (i) to increase access to more affordable internet; (ii) to crowd-in private investment in the ICT sector; and (iii) to improve the Recipient's capacity to deliver digital government services, by contributing to the development of a regionally integrated digital infrastructure and enabling environment.

The Project consists of the following parts:

Part 1. Regional Digital Connectivity Infrastructure

1.1. Improving Regional Connectivity

Carrying out of a comprehensive program for the pre-purchase of bundles of communications services, including international and, where applicable, domestic connectivity, including:

(a) carrying out of a feasibility study on the backbone and services requirements for the expansion of the Kyrgyz portion of the regional backbone network, including the design of said backbone and services requirements;

(b) provision of the communications services for the expansion of the Kyrgyz portion of the regional backbone network, in selected areas, through: (i) support in the procurement process for the selection of operators; and (ii) provision of the pre-purchase of said communications services; and

(c) provision of third-party verification of the deployed infrastructure.

1.2. Increasing the Security, Capacity and Reach of "G-Net" Network

Provision of support to increase security, capacity, and geographic reach of the Recipient's internal digital network G-Net, through:

(a) design of G-Net and development of the bidding documentation for the selection of a vendor to deploy the necessary hardware and software in target public sector institutions; and

(b) provision of specialized networking and cybersecurity equipment, cabling, and IT infrastructure to increase the security, capacity, reach of G-Net to connect public sector institutions across the country.
Part 2. Regional Datacenters, Digital Platforms, and Smart Solutions

2.1. Eurasia Cloud Regional Datacenter Network and G-Cloud

(a) Carrying out of a feasibility study for attracting private investment for the creation of a regional Eurasia Cloud Datacenter Network by exploring PPP options.

(b) Provision of hosting capacity and cloud services from a data services hosting platform service provider or the Eurasia Regional Datacenter Network, through: (i) provision of support in the procurement process for the selection of the service providers; and (ii) provision of the pre-purchase of the said hosting capacity and cloud services.

(c) Development of a design for establishing the mini G-Cloud.

(d) Upgrading of the Recipient’s existing facilities, including the equipment and related services for the creation of the mini G-Cloud.

2.2. Digital Platforms, Shared Services, and Smart Solutions

(a) Development of a design for the integration of a shared digital public service delivery platform and preparing procurement documentation for its implementation.

(b) Provision of support for the procurement of digital platforms and shared services such as authentication and identity management, e-signature, unified notification and payment platforms, interoperability, cybersecurity, and application/data-sharing platforms.

(c) Digitization of paper records.

(d) Development of a selected number of quick-win smart solutions (data-driven services).

(e) Enhancement of the Government Website, State E-Services portal and Open Data portal.

(f) Development of a multi-channeled, interactive and responsive citizen engagement and beneficiary feedback platform.
Part 3. Enabling Environment for Digital Economy

3.1 Legal, Regulatory and Institutional Foundations for Digital Economy

Carrying out of a program to strengthen and harmonize, at the regional and national levels, the legal and regulatory frameworks, and the institutional and human capacity to support the activities under Parts 1 and 2 of the Project, including:

(a) conducting of a legal and regulatory framework gap analysis for the digital economy aimed at identifying potential barriers at the regional and national levels for implementation of the activities under Parts 1.1 and 2.1 above, and to guide the implementation of activities under Part 3.

(b) development of the legal and regulatory framework, including provision of Training, in the field of electronic communication, to promote competition in the telecom market, facilitate cross-border connectivity, facilitate the establishment of PPPs in the sector, and create a regionally harmonized enabling environment for open access and cross-sector infrastructure sharing;

(c) provision of technical assistance and Training with respect to, inter alia, digital economy policy, strategy and action planning, standards and legal and regulatory development in the area of digital economy (including digital government enterprise architecture and interoperability framework, ICT procurement for public sector institutions, datacenter infrastructure, shared platforms including electronic identification and authentication and other common services, and smart solutions, smart city, intellectual property rights, personal data protection, cross-border data transfer and hosting, and emerging technologies);

(d) provision of technical assistance and Training with respect to, inter alia, cybersecurity policy, strategy, and regulatory development for institutional strengthening and capacity building in the area of cybersecurity.

3.2 Regional Partnerships for Digital Economy Skills, Jobs and Innovations

Carrying out of the following activities:

(a) establishment of a regional center of excellence for digital development, as part of a regional network of such centers;

(b) national and regional innovation challenge competitions, hackathons and pitching events, aimed at stimulating youth entrepreneurship;
(c) designing of innovative job creation initiatives, through, *inter alia*, paper records digitalization programs, microwork programs, and other similar programs that are aimed at creating jobs for youth and women;

(d) piloting of digital innovations using latest technologies (such as drones and blockchain) to develop practical and highly valued exportable skills and replicable use cases and smart solutions;

(e) designing of academia-industry partnerships, including internship and practical training programs for young graduates and twinning arrangements with educational and research organizations;

(f) development of the Digital Economy Competency Framework and the initial offering of courses and workshops and for training of trainers;

(g) provision of leadership and technical training to enable public officials, ICT professionals, and other citizens, especially women, youth, and disadvantaged groups, to acquire digital economy competencies.

### 3.3 Digital Leadership and Strategic Communications

(a) Carrying out of outreach and communications activities.

(b) Development and implementation of a strategic communications program, including support for the organization of public information and awareness building campaigns, knowledge-sharing seminars, workshops, and conferences.

(c) Creation and management of strategic partnerships with local and foreign governmental agencies, donors, nongovernmental organizations, and other entities, to raise and manage additional funding and other resources.

### Part 4. Project Management

(i) Carrying out of Project management activities, including support for the PIU, monitoring and evaluation, and audit; and (ii) provision of support for the Recipient’s participation in regional coordination activities and related consultations at the regional level.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall ensure that: (i) the Project is carried out by SCITC, through the PIU, in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in this Agreement and in the POM; and (ii) the PIU is operated and maintained at all times during the implementation of the Project with mandate, staffing and resources satisfactory to the Association, as set forth in the POM, for the purpose of ensuring the prompt and efficient overall coordination, implementation, monitoring, reporting, evaluation and communication of Project activities.

2. The SCITC shall:

   (a) (i) prepare and adopt a POM, satisfactory to the Association, setting forth rules, methods, guidelines and procedures for the carrying out of the Project, including, inter alia: (a) detailed description of the Project and institutional arrangements for its implementation; (b) monitoring, evaluation, reporting, and governance procedures for the Project; (c) disbursement, financial management, auditing and safeguards procedures for the Project; (d) procurement rules, procedures, and standard bidding documents for the Project; (e) the content of the Project anti-corruption plan; (f) modalities for documentation and information management; and (g) criteria for verification; and thereafter (ii) carry out the Project in accordance with the POM; and

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

B. Safeguards

1. The Recipient, through SCITC, shall 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 the SCITC to:
(i) prepare: (A) such Supplemental Social and Environmental Safeguard Instrument in due time and in accordance with the 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, through the SCITC, shall ensure that no works on a specific site under 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, through the SCITC, shall not 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.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

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, consulting services, Training and Operating Costs for the Project (except for Parts 1.1 (b) and (c); and 2.1 (b))</td>
<td>7,660,000</td>
<td>7,660,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services consulting services and Training under Parts 1.1. (b) and (c) of the Project</td>
<td>6,070,000</td>
<td>6,070,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works, non-consulting services consulting services and Training under Part 2.1. (b) of the Project</td>
<td>3,470,000</td>
<td>3,470,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>17,200,000</strong></td>
<td><strong>17,200,000</strong></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 for payments made prior to the date of this Agreement.

2. Notwithstanding the provisions of Part A of this Section and without limitation to the provision set forth in paragraph 1 above, withdrawals under Categories (2) and (3) above may be made by the Recipient as follows:
(a) Withdrawals under Category (2) shall be made subject to submission to the Association of evidences satisfactory to the Association that: (i) the feasibility study described under Part 1.1 (a) has been carried out; and (ii) the results/outcome of the said feasibility study, including the parameters and expenditures for the purchase of communications services under Part 1.1 (b) (ii), are satisfactory to the Association.

(b) Withdrawals under Category (3) shall be made subject to submission to the Association of evidences satisfactory to the Association that: (i) the feasibility study described under Part 2.1 (a) has been carried out; and (ii) the results/outcome of the said feasibility study, including the parameters and expenditures for the purchase of hosting capacity and cloud services under Part 2.1 (b) (ii), are satisfactory to the Association.

3. The Closing Date is May 31, 2023.

Section IV. Other Undertakings

1. If the conditions set forth in Section III, Part B, paragraph 2 have not been met within one (1) year after the Effective Date, or at a later date as agreed by the Association, the Recipient may, pursuant to Section 2.06 of the General Conditions, request the Association to reallocate the Financing proceeds allocated under Categories (2) and/or (3) to address an estimated shortfall under Category (1), provided that the Association determines that such amount is needed to meet an estimated shortfall to finance Eligible Expenditures under Category (1).

2. In the event that the reallocation mentioned in paragraph 1 (above) is not requested immediately after the deadline referred to in said paragraph, or if requested, the criteria mentioned therein is not met as determined by the Association, the Recipient shall be deemed, pursuant to this provision of the Financing Agreement, to have effected by notice to the Association a request to immediately cancel the amount of the Financing allocated to Categories (2) and/or (3) pursuant to Section 8.01 of the General Conditions.

3. The Recipient shall, by not later than twelve (12) months following the Effective Date, have adopted a Digital Transformation Strategy consistent with the objectives of the Project and thereafter the Recipient shall implement said strategy in a manner that would enable the Recipient to perform any of its obligations under this Agreement.
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, commencing April 15, 2024 to and including October 15, 2055</td>
<td>1.5625%</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

Definitions

1. “Affected Persons” 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.

2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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.

3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

4. “Digital Economy Competency Framework” means a framework for assessing and developing a broader set of professional and technical skills and competences in the field of information and communication technologies (ICT) and related areas which are required for accelerated development of digital economy.

5. “Digital Transformation Program” means the Recipient’s Program, envisioned to build a transparent and efficient public administration system that provides improved public services, based on digitalization and streamlining of administrative processes, and part of the Recipient’s 5-Year Development Plan “Janjy Doorgo 40 Kadam” (40 Steps to a New Era).

6. “Digital Transformation Strategy” means the Recipient’s Concept and Action Plan to support implementation of the Digital Transformation Program, to be adopted pursuant to Section IV.3 in Schedule 2 to this Agreement.

7. “Eurasia Cloud Regional Datacenter Network” or “Eurasia Cloud” means the proposed a privately owned and operated regional network of datacenters to be established in the Kyrgyz Republic and other neighboring countries capable of providing data and application hosting services on the basis of cloud technologies.

8. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s environmental and social management framework for the Project, acceptable to the Association and disclosed by the Recipient on July 13, 2017, and on the Association website on November 21, 2017, setting forth, inter alia: (a) generic guidelines and procedures to avoid, mitigate, or minimize adverse environmental and social impacts of the Project activities; (b) description of the
environmental and social screening processes that will help define the environmental category of site-specific activities; and (c) the requirements for site-specific environmental assessment and the preparation of LESMPs, as said framework may be amended from time to time with the agreement of the Association.


10. “G-Cloud” means Government Cloud, the Recipient’s network of datacenters capable of providing a minimum set of cloud services to the public administration.

11. “G-Net” means the Recipient’s internal digital network established to connect public sector institutions within the Recipient’s territory.


14. “Local Environmental and Social Management Plan” or “LESMP” means any Recipient site-specific environmental and social management plan, acceptable to the Association to be prepared during Project implementation in accordance with the ESMF, approved by the Association, describing environmental mitigation, monitoring and institutional measures to offset or eliminate any negative impact or reduce them to acceptable levels, related to any Project activities; and “LESMPs” means the plural thereof.

15. “Operating Costs” means the incremental operating expenditures incurred by the SCITC on account of Project implementation, management, monitoring and evaluation, including salaries of contractual staff (but excluding salaries of officials of the Recipient’s civil service) and the associated Social Charges, office rent, office materials and supplies, utilities, communication costs, translation costs, bank charges and travel and per diem costs of the SCITC’s staff and other reasonable expenditures directly associated with implementation of the Project activities, all based on an annual budget acceptable to the Association.

16. “Open Data portal” means the Recipient’s sub-website within the Government Website, where Government datasets are made available to the public in machine readable format.

18. “Project Implementation Unit” or “PIU” means the Project implementation unit established within the SCITC pursuant to SCITC’s Order No. 128 dated August 3, 2017, and referred to in Section I.A.1 of Schedule 2 to this Agreement, comprising, a PIU director, project manager, senior procurement specialist, procurement specialist and procurement assistant, financial manager and disbursement specialist and supported by additional specialists and staff, including technical coordinators for each Part of the Project with relevant technical skills, specialist on building of digital skills, communications specialist (partnerships, communications, and public information and awareness building), legal and institutional foundations specialist, M&E specialist, office manager, translator, and driver.

19. “Project Operational Manual” or “POM” means the manual prepared by the SCITC, satisfactory to the Association, and adopted pursuant to Section 5.01 of this Agreement and referred to in Section I.A.2 in Schedule 2 to this Agreement, as said manual may be amended from time to time with the agreement of the Association.

20. “Public Private Partnership” or “PPP” means a legally binding arrangement that allocates risk between one or more public sector entities and one or more private sector entities concerning the governance, ownership operation and/or financing of a project.

21. “Resettlement Action Plan” means any site-specific resettlement action plan to be prepared by the Recipient and containing, inter alia, a program of actions, measures and policies for resettlement compensation of Affected Persons, including budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms for each site.

22. “Resettlement Policy Framework” or “RPF” means the Recipient’s resettlement policy framework acceptable to the Association, and disclosed by the Recipient on July 13, 2017 and on the Association website on November 21, 2017, said framework setting out, inter alia, the policies and procedures for the acquisition of land and other assets, compensation, resettlement and rehabilitation of, inter alia, Affected Persons, as the case may be, and for the preparation of site-specific RAPs as may be required for Project activities, as said framework may be revised from time to time with the prior written concurrence of the Association; and such term includes all schedules and agreements supplemental to said framework.

23. “Safeguards Instruments” means collectively or individually the Environmental Social and Management Framework (ESMF), the Resettlement Policy Framework (RPF), as well as, the Local Environmental and Social Management Plans (LESMPs) and the Resettlement Action Plans (RAPs) prepared in connection with the Project, as applicable.
24. “SCITC” means the Recipient’s State Committee of Information Technologies and Communications of the Kyrgyz Republic, or any successor thereto.


26. “Signature Date” means the later 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.

27. “Supplemental Social and Environmental Safeguard Instrument” means any environmental and/or social management plan, resettlement action plan, or other site specific supplemental social and environmental safeguard instrument as may be required under the terms of ESMF or RPF, and “Supplemental Social and Environmental Safeguard Instruments” means all such supplemental instruments jointly.

28. “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.

29. “State E-Services portal” means the Recipient’s sub-website within the Government Website, providing electronic government services to the public.

30. “Training” means expenditures (other than those for consulting services) incurred by SCITC in connection with study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, travel, per diem of trainees and trainers and trainers’ fees (as applicable), all based on an annual budget satisfactory to the Association.