Financing Agreement
(Central Asia South Asia Electricity Transmission and Trade Project)
between
KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 24, 2015
FINANCING AGREEMENT

AGREEMENT dated April 24, 2015, entered into between the KYRGYZ REPUBLIC (“Recipient” or “Kyrgyzstan”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS:

(A) the governments of the Recipient, the Islamic Republic of Afghanistan (“Afghanistan”), the Islamic Republic of Pakistan (“Pakistan”) and the Republic of Tajikistan (“Tajikistan”) (collectively, the “Participating Countries”) have signed a series of agreements and memoranda of understanding, referred to herein as the CASA IG Agreements, with the broad objective of creating the conditions for regional trade of electricity, through, inter alia: (i) optimizing the usage of their common energy resources; (ii) increasing power supply in the region taking into account comparative costs of development and supply in order to increase the access to electricity; (iii) providing efficient co-ordination between various initiatives taken in the fields of power production and transmission; and (iv) facilitating, in the long-term, the development of an electricity market in the region;

(B) the Association intends to support the CASA-1000 Project (“Project”, as described in Schedule 1 hereto);

(C) the Recipient, having satisfied itself as to the feasibility and priority of the Project, has requested the Association to assist in the financing of part of the Project;

(D) the Project will be carried out in the Recipient’s territory by the National Electric Grid of Kyrgyzstan Open Joint Stock Company (“Project Implementing Entity”), an electricity transmission and dispatch utility established and operating under the laws of the Recipient, as further defined in the Appendix to this Agreement, with the Recipient’s assistance and, as part of such assistance, the Recipient will make the proceeds of the Financing provided for in Article II of this Agreement available to the Project Implementing Entity, through a Subsidiary Agreement, as set forth in this Agreement;

(E) by separate financing agreements to be entered into between Afghanistan, Pakistan, and Tajikistan, respectively, with the Association (“Afghanistan Financing Agreement”, “Pakistan Financing Agreement,” and “Tajikistan Financing Agreement”, as further defined in the Appendix to this Agreement), the Association will extend to Afghanistan, Pakistan, and Tajikistan credits and grants in an amount equivalent to two hundred six million three hundred thousand Special Drawing Rights (SDR 206,300,000), seventy-eight million three hundred thousand Special Drawing Rights (SDR 78,300,000) and twenty-nine million four hundred thousand Special Drawing Rights (SDR 29,400,000)
respectively, to finance the cost of activities related to their respective parts of the Project on the terms and conditions set forth in the Afghanistan Financing Agreement, Pakistan Financing Agreement, and Tajikistan Financing Agreement;

(F) the European Investment Bank (the “EIB”) intends to make available to the Recipient an amount equivalent to approximately seventy million Euros (€70,000,000) to assist the Recipient in financing part of the cost of the Project, pursuant to an agreement to be entered into between the Recipient and the EIB (the “EIB Agreement”, as further defined in the Appendix to this Agreement);

(G) the Participating Countries also intend to seek financial assistance from other financiers to assist them in financing part of the cost of the Project (“Additional Financing”) in accordance with additional financing agreements to be entered into between the Participating Countries and other financiers; and

(H) the Association has also agreed, on the basis, *inter alia*, of the foregoing, to extend the Grant and the Credit provided for in Article II of this Agreement to the Recipient upon the terms and conditions set forth in this Agreement and in the Project Agreement for the same Project between the Association and the Project Implementing Entity.

NOW THEREFORE 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 I to this Agreement (“Project”):

(a) an amount equivalent to four million four hundred thousand Special Drawing Rights (SDR 4,400,000) (“Grant”); and

(b) an amount equivalent to twenty-five million Special Drawing Rights (SDR 25,000,000) (“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%).

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 Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out within the Recipient's territory by the Project Implementing Entity, in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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 and the provisions of the Project Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) Any party to the Subsidiary Agreement has failed to perform any of its obligations under the Subsidiary Agreement.

(b) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

(c) Any of the Host Government Agreements, the Coordination Agreement, the Inter-Governmental Agreement, or any IGC Resolution has been amended, suspended, abrogated, repealed or waived so as to affect
materially and adversely the ability of the Recipient or the IGC to carry out their respective responsibilities in connection with the Project.

(d) The right of any Participating Country under any of the Core Financing Agreements to withdraw the proceeds of such financing is suspended, canceled or terminated, in whole or in part, pursuant to the terms of such agreement.

(e) The Core Commercial Agreements have not been executed by all respective parties and have not become effective by the date which is twelve (12) months after the Effective Date;

(f) Any of the Core Commercial Agreements or Core Construction Agreements has been amended, suspended, abrogated or waived by any party thereto in a manner that would affect materially and adversely the carrying out of the Project.

4.02. The Additional Events of Acceleration consist of the following: namely, that any event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The parties to the Power Purchase Agreements and the Master Agreement have signed said Agreements, in form and substance satisfactory to the Association.

(b) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

(c) The Core Financing Agreements have been executed and all conditions precedent to their effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

(d) The EIB Agreement has been executed and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

(e) The Recipient has submitted to the Association a program for transparent revenue management ("Revenue Management Program") satisfactory to the Association.
5.02. The Additional Legal Matters consist of the following:

(a) that the Subsidiary Agreement has been duly authorized by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms; and

(b) that the EIB Agreement has been duly executed between the Recipient and the EIB and is legally binding upon the Recipient.

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

5.04. 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:

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

Telex: Facsimile:
245-156 NUR KH (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: Telex: Facsimile:
INDEVAS 248423 (MCI) 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: Almaz Baretoev
Title: Acting Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Gulmira Sultanova
Title: Acting Country Manager
SCHEDULE 1

Project Description

The objective of the Project is to create the conditions for sustainable electricity trade between the Central Asian countries of Tajikistan and Kyrgyzstan and the South Asian countries of Afghanistan and Pakistan.

The Project consists of the following parts, of which that portion of Part A.3 within the territory of the Recipient may be financed pursuant to this Agreement:

Part A. Construction of High Voltage Transmission Infrastructure

1. High Voltage DC Transmission Line. Construction of about 750 km of 500 kV high voltage DC overhead transmission line to interconnect the electricity network of Tajikistan, from the Sangtuda converter station, to the Pakistan network, at the Peshawar converter station, and the Afghanistan network at the Kabul converter station.

2. High Voltage DC Converter Stations. Engineering design, construction, and commissioning of three high voltage DC converter stations: (i) Sangtuda converter station (1,300 MW) in Tajikistan; (ii) Kabul converter station (300 MW) in Afghanistan; and (iii) Peshawar converter station (1,300 MW) in Pakistan, including specialized AC and DC equipment.

3. High Voltage AC Transmission Interconnection between Kyrgyzstan and Tajikistan. Construction of about 475 km of 500 kV high voltage AC overhead transmission line to interconnect the electricity network of Kyrgyzstan, from Datka substation, to the Tajikistan network, at the Khujand substation, along with associated substation equipment.

4. Tajikistan Grid Reinforcement. Reinforcements, including construction of 500 kV line from Regar substation to Sangtuda converter station and other parts of the network necessary to ensure transfer of Tajikistan and Kyrgyz export power to Sangtuda.

Part B. Technical Assistance and Project Implementation Support

1. High Voltage DC and High Voltage AC Owner’s Engineers. Provision of consultancy services of two owner’s engineers for the high voltage DC and high voltage AC portions of the Project, including for third-party monitoring and supervision during construction.

2. Environment and Social Management Support. Strengthening of the Project Implementing Entities’ capacity to develop and supervise environmental and
social safeguards documents, including country-specific Environmental and Social Impact Assessments and Resettlement Action Plans.

3. **Audits and Financial and Revenue Management.** Carrying out of annual audits of the Project accounts in the four Participating Countries and of entity audits of the Project Implementing Entities where such audits are not financed from other sources, and supporting transparent financial management of revenues generated by the Project, including the implementation of a financial management improvement program.

4. **Project Management Support.** Provision of: (i) Project management support to Project Implementing Entities, including procurement and contract management, financial management, monitoring and evaluation of Project performance and results as well as Incremental Operating Costs; (ii) training and capacity building focusing on High Voltage DC operations and maintenance, power dispatch; and (iii) commercial and legal advisory services on the commercial transactions.

5. **Coordination.** Strengthening of the Inter-Governmental Council through financing of technical, commercial and legal services and Incremental Operating Costs.

6. **Project Communications.** Carrying out of communications campaign and information-sharing activities directed at relevant stakeholders, particularly communities, within the Project area.

7. **Capacity building.** Building capacity of personnel of the Project Implementing Entities and relevant government officials in order to develop a regional electricity market.

**Part C. Community Support Program**

Carrying out the Community Support Program for the benefit of the communities living in the area of the Project.
Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall assign to the Project Implementing Entity the responsibility for overall Project management and coordination, including, *inter alia*:

   (a) preparation of withdrawal applications under the Financing;

   (b) maintenance of records and accounts related to the Project and arranging for the audit thereof;

   (c) participation in administration of bidding procedures and of contracts under the Project; and

   (d) preparation of quarterly Project Reports pursuant to paragraph A of Section II of this Schedule.

2. The Recipient shall:

   (a) take all actions, including ensuring the provision of funds, facilities, services, and other resources, necessary or appropriate for the carrying out of the Project by the Project Implementing Entity;

   (b) take all actions necessary to ensure the timely provision of Additional Financing; and

   (c) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

3. The Recipient shall participate in the work of the IGC, its secretariat and its committees through a designated representative or representatives and shall take all necessary actions to enable the IGC to: (a) provide overall strategic guidance for the Project; (b) serve as a liaison between the Participating Countries and the Project Implementing Entities; and (c) monitor the Project activities and consolidate progress reporting.
B. Project Covenants

1. Core Construction Agreements:

(a) The Recipient shall take all necessary measures to ensure that contracts for the HVDC converter stations under Part A.2 of the Project will be signed by the contractor and the Project Implementing Entities for Afghanistan, Pakistan and Tajikistan respectively, no later than December 31, 2015.

(b) The Recipient shall take all necessary measures to ensure that contracts for the HVDC transmission line under Part A.1 of the Project will be signed by the contractor and the Project Implementing Entities for Afghanistan, Pakistan and Tajikistan respectively, no later than December 31, 2015.

(c) The Recipient shall take all necessary measures to ensure that contracts for the HVAC transmission line under Part A.3 of the Project will be signed by the contractor and the Project Implementing Entities for the Recipient and Tajikistan respectively, no later than December 31, 2015.

(d) The Recipient shall take all necessary measures to ensure that operations and maintenance contracts will be signed by the contractor and the Project Implementing Entities for the Recipient, Afghanistan, Pakistan and Tajikistan respectively, no later than June 30, 2016.

2. Core Commercial Agreements. The Recipient shall take all necessary measures to ensure that the Core Commercial Agreements have been executed by all respective parties and have become effective by the date which is twelve (12) months after the Effective Date.

3. Revenue Management. Not later than twelve (12) months after the Effective Date, the Recipient shall adopt and implement the Revenue Management Program. Except as the Association shall otherwise agree, the Recipient shall not amend, suspend, abrogate or waive the Revenue Management Program or any of its provisions.

4. Not later than twelve (12) months after the Effective Date, the Recipient shall secure Co-financing sufficient for Parts A and B of the Project, execute Co-financing Agreements for said Co-financing, and ensure the effectiveness of said Co-financing Agreements.
C. **Subsidiary Agreement**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association ("Subsidiary Agreement").

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

D. **Anti-Corruption**

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

E. **Safeguards**

1. The Recipient shall take all action required on its behalf to ensure that the Project is implemented in accordance with the provisions of the Safeguards Instruments, all in a manner satisfactory to the Association.

2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall cause the Project Implementing Entity to furnish to the Association, on a quarterly basis, reports on the status of compliance with the Safeguards Instruments, giving details of:

   (a) measures taken in furtherance of the Safeguards Instruments;

   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the any of the Safeguards Instruments; and

   (c) remedial measures taken or required to be taken to address such conditions.

3. The Recipient shall promptly take, or cause the Project Implementing Entity to take, all remedial measures referred to in paragraph 2(c) above, as shall have been agreed by the Association.

4. The Recipient shall cause the Project Implementing Entity to ensure that each contract procured under the Project includes the obligation of the relevant contractor to comply with the relevant Safeguards Instruments applicable to the respective activities commissioned/awarded pursuant to said contract.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. 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 quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. Notwithstanding the provisions of paragraph 1 above, the Recipient shall:

   (a) commencing for the calendar quarter that includes the date six (6) months after the Effective Date, prepare and submit to the IGC and the Association Implementation Reports for each quarter, in form and substance satisfactory to the Association, which shall include recommended actions to ensure timely implementation of specific targets and milestones relating to the Project; and

   (b) thereafter carry out, or shall cause the Project Implementing Entity to carry out, specific actions and recommendations, as agreed with the Association and IGC respectively.

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 (6) 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)  Limited International Bidding;
(b)  National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2;
(c)  Shopping;
(d)  Direct Contracting; and
(e)  Community Participation in Procurement procedures which have been found acceptable to the Association.
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; and
   (f) Selection of Individual Consultants.

D. 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.

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 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 Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, works, non-consulting services, and consultants’ services for activities for Part A.3 of the Project within the territory of the Recipient</td>
<td>25,000,000</td>
<td>4,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>25,000,000</td>
<td>4,400,000</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 for payments made prior to the date of this Agreement.

2. The Closing Date is June 30, 2020.
ANNEX TO SCHEDULE 2

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) (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 Recipient, 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, 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 Recipient 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 fifteen percent (15%); 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.
**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 on August 15, 2024 to and including February 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing on August 15, 2034 to and including February 15, 2054</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

Definitions

1. "Account Bank" means the bank or financial institution appointed by the Parties to carry out the functions of the account bank as provided for in this Agreement.

2. "Account Bank Agreement" means the agreements between the Account Bank and the parties to the PPAs (as hereinafter defined).

3. "Additional Financing" means any additional financing by any institution other than the Association for the Project.


5. "Barki Tajik" means the national transmission company of Tajikistan, a joint stock company, and the Project Implementing Entity for the Project on behalf of Tajikistan, or any successor thereto.

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

7. "CASA IG Agreements" means the following agreements or memoranda of understanding signed by the Participating Countries (as hereinafter defined):

   (a) Memorandum of Understanding for the Development of Central Asia-South Asia Regional Electricity Market dated November 16, 2007;

   (b) Agreement among Islamic Republic of Afghanistan, Kyrgyz Republic, Islamic Republic of Pakistan, and Republic of Tajikistan for the Development of the CASA 1000 Power Transmission Project and the Further Development of a Central Asia-South Asia Regional Electricity Market dated August 4, 2008; and

   (c) Memorandum of Understanding for the Development of the CASA 1000 Power Transmission Project and the Further Development of Central Asia-South Asia Regional Electricity Market dated September 20, 2011.

8. "Co-financing" means, for purposes of paragraph 11 of the Appendix to the General Conditions, the amount to be provided by the Co-financiers to assist in financing Parts A and B of the Project.
9. “Co-financer” means the European Investment Bank and any other institution providing financial assistance to any of the Participating Countries to finance part of the cost of Parts A and B of the Project.

10. “Co-financing Agreement” means any of the agreements to be entered into between the Recipient and any of the Co-financiers.

11. “Community Support Program” means a series of sub-Projects in the Participating Countries for Part C of the Project to be implemented in accordance with the Operational Manual for the Community Support Program.


13. “Coordination Agreement” means the agreement between the entities designated by the governments of the Recipient and Tajikistan to provide for all technical and commercial aspects of the wheeling of power for the Project and for operational coordination with the operator of the DC facilities.

14. “Core Commercial Agreements” means the following:
   (a) a PPA between EPP and NTDC/CPPA;
   (b) a PPA between EPP and DABS;
   (c) a PPA between Barki Tajik and NTDC/CPPA;
   (d) a PPA between Barki Tajik and DABS;
   (e) a PPA between DABS and NTDC/CPPA;
   (f) the Master Agreement between the parties to the PPAs and NEGK;
   (g) the Account Bank Agreement between the Account Bank and the parties to the PPAs;
   (h) the Technical Code;
   (i) the Coordination Agreement; and
   (j) the Host Government Agreements between each of the Participating Countries and its project implementing entity.

15. “Core Construction Agreements” means the contracts between the respective contracting companies and the respective Project Implementing Entities for: (a)
the HVDC converter stations under Part A.2 of the Project; (b) the HVDC transmission lines under Part A.1 of the Project; (c) the HVAC transmission lines under Part A.3 of the Project, and (d) the operations and maintenance operator.

16. “Core Financing Agreements” means the four separate Financing Agreements between the Association and the Islamic Republic of Afghanistan, the Kyrgyz Republic, the Islamic Republic of Pakistan, and the Republic of Tajikistan respectively.

17. “CPPA” means Pakistan’s Central Power Purchasing Agency (Guarantee) Ltd., established and operating under the laws of Pakistan, or any successor thereto.

18. “Da Afghanistan Breshna Sherkat of Afghanistan” or “DABS” means the national transmission company of Afghanistan and the Project Implementing Entity for the Project on behalf of Afghanistan, or any successor thereto.

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

20. “EIB Agreement” means an agreement between the Recipient and EIB for financing of approximately €70,000,000 to assist the Recipient in financing part of the cost of the Project.

21. “Electric Power Plants Open Joint Stock Company” or “EPP” means the electric generation company of the Recipient, or any successor thereto.

22. “Environmental and Social Impact Assessment” or “ESIA” means the country-specific report to be prepared by the Project Implementing Entity, in form and substance satisfactory to the Association, containing (a) the policy, legal and administrative framework within which the ESIA is carried out; (b) the Project description; (c) baseline data; and (d) an assessment of the potential environmental and social impacts of the activities to be undertaken under the Project, including an evaluation of the alternatives therefor, and designing appropriate mitigation, management, and monitoring measures.

23. “Environmental Management Plan” or “EMP” means the environmental management plan or plans to be prepared by the Project Implementing Entity that set out the environmental protection measures, including measures for the protection of physical cultural resources, in respect of the Project, as well as
administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the prior written agreement of the Association, and such term includes all schedules and agreements supplemental thereto.

24. “European Investment Bank” or “EIB” means the European Investment Bank, a bank owned by and representing the interests of the European Union member states, established pursuant to the Statute of the European Investment Bank (July 1, 2013, as amended).


26. “Host Government Agreements” or “HGAs” means the agreements between each of the Participating Countries and its designated entities, which, reflecting the obligations of the Participating Countries to each other under the IGA, includes, inter alia, provisions:

(a) for maintenance of land rights and rights of way;
(b) for non-interruption of activities relating to the Project;
(c) for non-discrimination in relation to all goods, works, technology, and services associated with any activities relating to the Project;
(d) on information to lenders, international financial institutions, and insurers; and
(e) for carrying out of the Project in accordance with applicable technical, safety, and environmental standards.

25. “IGC Resolution” means any resolution agreed to by the Inter-Governmental Council.

26. “Implementation Reports” means reports prepared by the Project Implementing Entity pursuant to Section II.A.2 of Schedule 2 to this Agreement, which shall include specific actions, milestones and dates with respect to procurement of goods, works and services under the Project, implementation of Core Construction Agreements and prepared in a format agreed upon with the Association.

27. “Incremental Operating Costs” means incremental expenditures incurred by the Project Implementing Entity on account of Project implementation, management and monitoring, including: dissemination of Project related information, travel costs, lodging and per diem for field trips related to Project implementation; vehicle rent; supplies and utilities; salaries of contractual staff; mail, advertisement
costs, translation costs, commercial bank charges, communication costs, office equipment and maintenance, hardware and software, as such costs shall be agreed with the Association on an annual basis, but excluding salaries of officials and/or employees of the Recipient’s civil service as well as any contributions by employers to the Social Fund.

28. “Inter-Governmental Agreement” or “IGA” means the agreement among the Islamic Republic of Afghanistan, the Kyrgyz Republic, the Islamic Republic of Pakistan, and the Republic of Tajikistan for the Development of the CASA 1000 Power Transmission Project and the Further Development of a Central Asia-South Asia Regional Electricity Market dated August 4, 2008.

29. “Inter-Governmental Council” or “IGC” means the Inter-Governmental Council established pursuant to the Inter-Governmental Agreement and including representatives of the Participating Countries (as hereinafter defined).

30. “Master Agreement” means the agreement to be entered into between the parties to the PPAs (as hereinafter defined) and NEGK to provide for, *inter alia*:
   
   (a) the standard terms and conditions to apply to all the PPAs;
   
   (b) provisions relating to the operation and maintenance of the AC facilities that are part of the project by each of the NTCs;
   
   (c) the allocation of transmission capacity on the DC facilities for each supply period;
   
   (d) any capacity that the parties do not use may be allocated to other parties subject to open access rules, with the resulting revenues from fees to be shared between the parties;
   
   (e) safeguards to mitigate against any adverse impact of change of law and change of tax; and
   
   (f) a set of principles on which certain costs and risks will be allocated between the parties.

32. "National Transmission and Despatch Company Ltd. of Pakistan" or "NTDC" means an electricity transmission and dispatch utility established and operating under the laws of Pakistan, and the Project Implementing Entity for the Project on behalf of Pakistan, or any successor thereto.

33. "National Transmission Companies" or "NTCs" means the national transmission companies of the Participating Countries.

34. "Operational Manual for the Community Support Program" means the operational manual, satisfactory to the Association, detailing the eligible activities to be financed by the Community Support Program and how such activities will be selected and implemented.

35. "Participating Countries" means the Islamic Republic of Afghanistan, the Kyrgyz Republic, the Islamic Republic of Pakistan, and the Republic of Tajikistan, all participating in the CASA-1000 Project.

36. "Power Purchase Agreements" or "PPAs" means collectively the following:
   (a) a PPA to be entered into between EPP and NTDC/CPPA;
   (b) a PPA to be entered into between EPP and DABS;
   (c) a PPA to be entered into between Barki Tajik and NTDC/CPPA;
   (d) a PPA to be entered into between Barki Tajik and DABS; and
   (e) a PPA to be entered into between DABS and NTDC/CPPA.


38. "Procurement Plan" means the Recipient's procurement plan for the Project, dated February 18, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

39. "Project Agreement" means the agreement between the Association and the Project Implementing Entity for the Project, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement.

40. "Project Implementing Entities" means the implementing entities designated by the Participating Countries, namely:
(a) Da Afghanistan Breshna Sherkat of Afghanistan;

(b) National Electric Grid of Kyrgyzstan Joint Stock Company;

(c) National Transmission and Despatch Company Ltd. of Pakistan; and

(d) Barki Tajik of Tajikistan.


43. “Regional Environmental Assessment” or “REA” means the report prepared on behalf of the Participating Countries and disclosed in the Recipient on November 11, 2013, encapsulating previous studies on the potential environmental and social impacts of the activities to be undertaken under the Project, including any potential cumulative impacts, and providing guidance for the preparation of country-specific Environmental and Social Impact Assessments.

44. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework dated February 19, 2014, prepared and adopted by the Project Implementing Entity, in form and substance acceptable to the Association; said framework setting out the policies and procedures for the acquisition of land and other assets, compensation, resettlement and rehabilitation of Displaced Persons, and for the preparation of Resettlement Action Plans 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.

45. “Resettlement Action Plan” or “RAP” means the resettlement action plan to be prepared by the Project Implementing Entity, in form and substance acceptable to the Association and in accordance with the RPF, setting forth the measures necessary to ensure that the Displaced Persons under the Project are:

(a) informed about their options and rights pertaining to resettlement;

(b) consulted on, offered choices among, and provided with technically and economically feasible resettlement alternatives;

(c) provided:
(i) prompt and effective compensation at full replacement cost for losses of assets attributable directly to the Project;

(ii) assistance (such as moving allowances) during relocation; and

(iii) with residential housing, or housing sites, or, as required, agricultural sites for which a combination of productive potential, locational advantages, and other factors is at least equivalent to the advantages of the old site;

(d) offered support after displacement, for a transition period, based on a reasonable estimate of the time likely to be needed to restore their livelihood and standards of living; and

(e) provided with development assistance in addition to the aforementioned compensation measures, such as land preparation, credit facilities, training, or job opportunities.

46. "Safeguards Instruments" means the REA, the EMP, the ESIA, the RPF and the RAP.

47. "Subsidiary Agreement" means the agreement referred to in Section I.C of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.

48. "Technical Code" means the technical code providing for the operating procedures and principles governing the relationship between the DC Operator, each National Transmission Company and all other users of the CASA 1000 transmission system, as such code as may be amended from time to time in accordance with its terms.