Project Agreement

(Additional Financing for Small Towns Infrastructure and Capacity Building Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY OF THE KYRGYZ REPUBLIC

Dated April 24, 2009
PROJECT AGREEMENT

Agreement dated April 24, 2009, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY OF THE KYRGYZ REPUBLIC ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the KYRGYZ REPUBLIC ("Borrower") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II - PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE IV - REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Executive Director.

4.02. The Association’s Address is:

   International Development Association
   1818 H Street, NW
   Washington, DC 20433
   United States of America

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

4.03. The Project Implementing Entity’s Address is:

   102, Bokonbaeva Street
   Bishkek
   Kyrgyz Republic

   Cable: Telex: Facsimile:
   ___________ _______ 00-996-312-624748
AGREED at Bishkek, Kyrgyz Republic, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Roger J. Robinson

Authorized Representative

COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY OF THE KYRGYZ REPUBLIC

By /s/ Mars Sakkaraev

Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall implement the Project in accordance with the provisions of the Operational Manual. Except as the Association shall otherwise agree, the Project Implementing Entity shall not amend or waive any provision of the Operational Manual, if, in the opinion of the Association, such amendment or waiver may materially or adversely affect the carrying out of the Project or the achievement of the Project objectives.

2. The Project Implementing Entity shall maintain adequate functions, staffing and resources, satisfactory to the Association, for the purposes of carrying out the Project.

3. The Project Implementing Entity shall carry out the Project in cooperation with Participating Small Towns, Local Self-Governments, Participating Entities and various other stakeholders, including community participants.

B. Sub-Projects

1. The Project Implementing Entity shall make Sub-grants to Beneficiaries under Part A.1 of the Project in accordance with eligibility criteria and procedures set forth in the Operational Manual and acceptable to the Association.

2. The Project Implementing Entity shall make each Sub-grant under a Sub-grant Agreement with the respective Beneficiary on terms and conditions approved by the Association and/or set forth in the Operations Manual, which shall include the following:

   (a) The Sub-grant shall be denominated in United States Dollars (US$).

   (b) The Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Association, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement; and (ii) require each Beneficiary to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; (B) provide, promptly as needed, the resources required for the purpose of the Sub-projects; (C) procure the goods, works and services to
be financed out of the Sub-grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives; (E): (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Association’s or the Borrower’s request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Borrower and the Association; (F) enable the Borrower and the Association to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Borrower and the Association all such information as the Borrower or the Association shall reasonably request relating to the foregoing.

3. The Project Implementing Entity shall exercise its rights under each Sub-grant Agreement in such manner as to protect its interests and those of the Borrower and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

C. Anti-Corruption

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

D. Safeguards

The Project Implementing Entity shall: (i) carry out the Project in accordance with the provisions of EMP; (ii) not amend, suspend, abrogate, repeal or waive any provisions of EMP without prior approval of the Association; (iii) take all action relating to the carrying out of the Project; and (iv) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity 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 the indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association by the Project Implementing Entity not later than one (1) month after the end of the period covered by such report.
2. The Project Implementing Entity shall incorporate in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Borrower or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

3. The Project Implementing Entity will have the internal control framework, processes and procedures followed under the Project, audited for each fiscal year (or other period agreed to by the Association), in accordance with terms of reference and by independent auditors both acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Grant and Credit shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.