Project Agreement

(Additional Financing for Second Village Investment Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY OF THE KYRGYZ REPUBLIC

Dated January 18, 2010
PROJECT AGREEMENT

Agreement dated January 18, 2010, 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 for additional financing for the Original Project (“Financing Agreement”) of same date between the KYRGYZ REPUBLIC (“Recipient”) 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: INDEVAS
Telex: 248423(MCI)
Facsimile: 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: 011-996-312-624748
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/ Asylbek Chekirov

Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall, throughout the duration of the Project: (i) take all action relating to the carrying out of the Project; and (ii) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project. To that end, the Project Implementing Entity shall not amend or waive the Project Implementing Entity’s Legislation without prior approval by the Association, and shall be responsible for overall Project management and coordination, including:

   (a) preparation of withdrawal applications under the Grant and Credit, respectively;

   (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 Project Implementing Entity shall implement the Project in accordance with the requirements set forth or referred to in 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 affect the carrying out of the Project or the achievement of the Project objectives.

3. The Project Implementing Entity shall maintain an Operational Manual covering, inter alia, the following matters: (a) eligibility criteria for Community grants and Micro-projects; (b) the principles and procedures to be followed for the approval of Community grants and Micro-projects; (c) regional allocation of the financing; (d) community contribution requirements for Micro-projects; and (e) the indicators to be utilized by the Project Implementing Entity in monitoring the progress of the Project.

4. The Project Implementing Entity shall: (i) contract an independent engineering firm to carry out a review and evaluation of completed Micro-projects; and (ii) establish a list of Micro-projects that have not been performing well, including those that have structural deficiencies requiring corrective action.
5. The Project Implementing Entity shall maintain adequate functions, staffing and resources, satisfactory to the Association, for the purposes of carrying out the Project.

B. Subsidiary Agreement

The Project Implementing Entity 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 Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Micro-projects

1. The Project Implementing Entity shall make Community-Grants to Beneficiaries under Part II 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 enter into a Community-Grant Agreement with each Beneficiary when making Community-Grants to respective Beneficiaries on terms and conditions approved by the Association and set forth in the Operations Manual, which shall include the following:

   (a) The Community-Grant shall be denominated in Kyrgyz soms.

   (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 Community-grant, or obtain a refund of all or any part of the amount of the Community-Grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Community-Grant Agreement; and (ii) require each Beneficiary to: (A) carry out its Micro-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, EMP, the Land Acquisition Policy Framework and the Land Acquisition Plan(s); (B) provide, promptly as needed, the resources required for the purpose of the Micro-projects; (C) procure the goods, works and services to be financed out of the Community-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 Micro-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 Micro-project; and (2) at the Association’s or the Recipient’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 Recipient and the Association; (F) enable the Recipient and the Association to inspect the Micro-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

3. The Project Implementing Entity shall exercise its rights under each Community-Grant Agreement in such manner as to protect its interests and those of the Recipient 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 Community-Grant Agreement or any of its provisions.

D. Anti-Corruption

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

E. Safeguards

1. The Project Implementing Entity shall: (i) carry out the Project in accordance with the provisions of EMP, the Land Acquisition Policy Framework and the relevant Land Acquisition Plan(s); and (ii) not amend, suspend, abrogate, repeal or waive any provisions of EMP, the Land Acquisition Policy Framework or the Land Acquisition Plan(s) without prior approval of the Association.

2. No Micro-project involving land acquisition and/or resettlement shall be undertaken unless the Project Implementing Entity shall have first prepared a Land Acquisition Plan in relation to said Micro-project, in form and substance satisfactory to the Association and in accordance with the provisions set forth in the Land Acquisition Policy Framework.

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 such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later than thirty (30) days after the end of period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project 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 Recipient 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. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Recipient, for inclusion in the Project Report, 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 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.

4. 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 Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. Amendments to the Original Project Agreement

The Original Project Agreement is amended as set forth below.

1. The following paragraphs 4 and 5 are added, respectively, to Section I of the Schedule to the Original Project Agreement:
“4. The Project Implementing Entity shall carry out the Project in accordance with the provisions of EMP, the Land Acquisition Policy Framework and the relevant Land Acquisition Plans.

5. The Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provisions of EMP, the Land Acquisition Policy Framework or the Land Acquisition Plan(s) without prior approval of the Association.”