Re: Kyrgyz Republic: JSDF Grant for Building Demand-side Capacity
For Effective Local Governance Project
Grant No. TF010208

Dear Ms. Ibraimova:

In response to the request for financial assistance made on behalf of Community Development and Investment Agency (ARIS) ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by Japan ("Donor") under the Japan Social Development Fund, proposes to extend to the Recipient for the benefit of the Kyrgyz Republic ("Member Country"), a grant in an amount not to exceed one million six hundred fourteen thousand and one hundred fifty-six United States Dollars (U.S.$1,614,156) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: D. Djoldosheva
Dinara Djoldosheva
Acting Country Manager for the Kyrgyz Republic and Turkmenistan
Europe and Central Asia Region

AGREED:
COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY (ARIS)

By: [Signature]
Authorized Representative

Name: [Signature]
Title: Executive Director
Date: March 9, 2012

Enclosures:

2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions


1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(i) “EMP” means environmental management plan adopted by the Recipient, satisfactory to the World Bank, setting forth procedures and measures to mitigate any adverse impacts on the environment, as the same may be amended from time to time with the agreement of the World Bank;

(ii) “Microproject” means microproject co-financed by the JSDF selected and approved by the Recipient in accordance with the POM;

(iii) “Operating Costs” means operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, salaries and social charges of the project staff, but excluding salaries of officials of the Member Country’s civil service;

(iv) “POM” means the project operational manual, referred to in paragraph 2.02 (d) of the Annex to this Agreement, adopted by the Recipient, setting out the operational and administrative procedures for the implementation of the Project, including: (i) procurement, financial management, disbursement, accounting, audit requirements, and monitoring and evaluation of the Project; (ii) eligibility criteria for small grants under Part C (ii) of the Project; (iii) principles, procedures and criteria to be followed for the selection and approval of small grants; (iv) allocation for small grants; (v) matching resources provided by local governments for the microprojects co-financed under the small grants; and (vi) indicators to be utilized by the Recipient in the implementation and monitoring the progress of the Grant. The Recipient shall not amend, suspend, abrogate, repeal or waive any provision of the POM without prior approval of the World Bank.

(v) “Small Grants” means provision of goods, works, consultants services, and training financed from the proceeds of the Grant awarded or to be awarded on a competitive basis to local governments and local groups described under Part C (ii) of the Annex to this Agreement, that will co-finance microprojects, all in accordance with the POM;
(vi) “Social Checklists” means social screening checklists, to be filled out for each microproject in accordance with the procedures set forth in the POM; and

(vii) “Training” means training conducted in the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to strengthen local governance in Kyrgyz Republic by enhancing participatory decision-making and accountability with respect to local government planning and budgeting, service delivery and investments. The Project consists of the following parts:

Part A: Strengthening Citizens’ Knowledge of Participatory Local Governance

Provision of goods, consultants’ services, and training in strengthening citizen and community group member’s knowledge of participatory local governance by: (i) conducting public information campaign that will raise awareness of their rights, roles and responsibilities; and (ii) providing on-site training with focus on building awareness about the rights and responsibilities of various actors as prescribed in the legislation, strengthening their understanding of the local budgeting processes and monitoring, and ways to effectively participate in local government decision making.

Part B: Strengthening Functional Capacities and Horizontal Interface Between Local Government Bodies

Provision of goods, consultants’ services, and training in strengthening the functional capacities and horizontal interface between local government bodies by: (i) providing capacity building workshops for local councils with focus on participatory planning and legislative processes, good practice in assessing, reviewing and approving proposed budgets and plans, local economic development, and local revenue mobilization; and (ii) providing capacity enhancement training for local government administration in the areas of participatory and demand responsive planning, delivery of local services, procurement, and financial management.

Part C: Implementing Participatory Local Development

Provision of: (i) goods, consultants’ services, and training in implementing participatory local development by assisting local government administration in collecting basic data, assessing local needs conditions and funding sources, and carrying out participatory identification of priorities and integrating existing development plans prepared by other local groups such as water users groups, pasture management groups, village investment committees and local investment committees to prioritize future investments in a strategic manner; and (ii) providing local investment small grants on a competitive basis to local governments and local groups aimed at financing priority investments included in their local economic and development plans and existing social infrastructure services such as school rehabilitation, road repair, health clinics, water supply systems.
Part D: Project Management and Monitoring and Evaluation

Provision of goods, consultants' services and training for project management, monitoring and evaluation, supervision and financial management, including grant audit.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); (c) this Article II; and (d) the Project Operational Manual (POM) referred to under paragraph 2.03, satisfactory to the Bank.

2.03. Institutional and Other Arrangements. (a) The Recipient shall establish an Evaluation Committee comprised of representatives of local businesses, academia, civil society and staff from ARIS who will be responsible for the appraisal of local development plans submitted for the competitive grants and awarding of small grants under Part C (ii).

(b) The Recipient shall ensure that microprojects co-financed under small grants are in full compliance with the provisions of the EMP and the POM.

(c) The Recipient shall ensure that local governments that receive small grants under Part C of the Project do not carry out any activities that involve land acquisition or the resettlement of affected individuals and communities, and that the expansion of existing facilities, or the construction of new facilities, shall not cause any involuntary resettlement or the loss of income for the affected individuals or communities, as defined in the World Bank's Operational Policy on Environmental Assessment (OP 4.12). The small grants under Part C of the Project shall be administered in accordance with an environmental management and social screening checklist (included in POM pursuant to OP. 4.12) setting forth measures for the mitigation and management of risks under all sub-projects activities involving civil works.

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of two calendar semester and shall be furnished to the World Bank not later than thirty (30) days after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

(a) **General.** All goods, non-consulting services, and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank 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.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting; and (C) Community Participation procedures which have been found acceptable to the World Bank.

(d) **Particular Methods of Procurement of Consultants’ Services**
(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants' Qualifications; (C) Single-source Selection of Consulting Firms; (D) Selection of Individual Consultants; and (E) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts 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 Grant Allocated (expressed in U.S. $)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>109,500</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants' Services, including Audit</td>
<td>289,088</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>270,267</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Small Grants</td>
<td>787,500</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Operating Costs</td>
<td>157,801</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,614,156</td>
<td></td>
</tr>
</tbody>
</table>
3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three (3) years after the date of countersignature of this Agreement by the Recipient.

**Article IV**

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is Ms. Elmira Ibraimova.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Community Development and Investment Agency (ARIS)
102, Bokonbaev Street
Bishkek, 720040
Kyrgyz Republic

Telephone: + 996 (312) 301805
Email: office@aris.kg
Facsimile: +996 (312) 624748

6.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391