Grant Agreement

(Grant for Extractive Industries Transparency Initiative Post-Compliance Phase II Project)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as administrator of grant funds provided by Australia, Belgium, Canada, Denmark, the European Union, Finland, France, Germany, Japan, Netherlands, Norway, Spain, Switzerland, the United Kingdom and the United States of America under the Extractive Industry Transparency Initiative Trust Fund

Dated July 6, 2015
GRANT NUMBER TF017411

GRANT AGREEMENT

AGREEMENT dated ___6 July___, 2015, entered into between:

KYRGYZ REPUBLIC ("Recipient"); and

INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of grant funds provided by Australia, Belgium, Canada, Denmark, the European Union, Finland, France, Germany, Japan, Netherlands, Norway, Spain, Switzerland, the United Kingdom and the United States of America under the Multi-Donor Trust Fund for the Extractive Industry Transparency Initiative (MDTF-EITI).

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


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

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through the EITI Secretariat in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth in this Agreement, a grant in an amount equal to three hundred thousand United States Dollars (US$300,000) (“Grant”) to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

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

Article IV
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) the Agreement has been countersigned; and

(b) the Recipient has notified the World Bank that all necessary governmental procedures have been completed to ensure the legally binding nature of the Agreement.

4.02. Except as the Recipient and the World Bank shall otherwise agree, the date on which this Agreement shall enter into effect shall be the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence that the execution and delivery of this Agreement on behalf of the Recipient has been duly authorized by all necessary domestic actions. If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes
a later date for the purpose of this Section. The World Bank shall promptly notify
the Recipient of such later date.

Article V
Recipient's Representative; Addresses

5.01. The Recipient's Representative referred to in Section 7.02 of the Standard
Conditions is its Minister of Finance.

5.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:
(996-312) 661645

5.03. 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: Telex: Facsimile:
INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)
AGREED at Bishkek, 6 July 2015 as of the day and year first above written.

KYRGYZ REPUBLIC

By

Authorized Representative
Name: Adylbek Kegamaliev
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of grant funds provided by Australia, Belgium, Canada, Denmark, the European Union, Finland, France, Germany, Japan, Netherlands, Norway, Spain, Switzerland, the United Kingdom and the United States of America under the Extractive Industry Transparency Initiative Trust Fund

By

Authorized Representative
Name: Jean Michel Happi
Title: Country Manager
SCHEDULE 1
Project Description

The objective of the Project is to increase transparency and governance in the Recipient's extractive industries sector through adherence to the new EITI Standard on the disclosure of revenues, licenses, and sub-national payments.

The Project consists of the following parts:

Part 1: Support Continuous Quality Improvements in EITI Report Preparation and Production

Carrying out a program of activities to improve the preparation of EITI reports, including:

(a) data collection on extractive companies payments and government agencies revenues with appropriate support from the State Agency for Geology and Mineral Resources and the EITI Secretariat.

(b) the establishment of a tender commission which will select an independent company for data reconciliation taking into account the representation of all stakeholders.

(c) the selection and contracting of an independent auditing company.

(d) the reconciliation of companies' payments and government's revenues upon the completion of the fiscal year, and the drafting of the related report with appropriate EITI contextual information in accordance with EITI standard requirements (including the review and approval of said report by the multi-stakeholder group).

(e) the publication and distribution of EITI reconciliation reports for years 2013 and 2014.

(f) the provision of support to the State Agency on Geology and Mineral Resources for: (i) digitizing and posting on its website the register of license holders with license agreements, and disclosure of the license holders information (beneficial ownership); and (ii) monitoring the volume of production, and disclosure of mechanism for issuing licenses.

Part 2: Build Capacity and Organize Workshops to Reach Wider Citizens and Strengthening Communications Activities

Conducting a communication and dissemination strategy on EITI best practices through the following activities:

(a) the provision of training to the EITI Supervisory Board on all EITI matters including issues relating to the transition to the new EITI standard procedures.
(b) the provision of training to representatives from the civil society, the media, and others (such as, the Recipient’s officials, parliamentarians, members of the extractive industry) to build their capacity and increase their knowledge on estimation and monitoring of revenue streams coming out of the extractive industries, including exchange of experience with other EITI implementing countries.

(c) the carrying out of training programs to build a knowledge and documentation base (including ways to access detailed information on each company, type and conditions of contracts) for extractive industries in the Recipient’s territory.

(d) the development of an EITI website to disseminate information relating to EITI.

(e) the publication of analytical materials on EITI implementation processes including relevant EITI articles, television debates, interviews on radio and television of competent persons on EITI, review materials in the national print media in Kyrgyz and Russian languages.

Part 3: Institutionalization of EITI and Improving Legal Acts

Carrying out a program of activities to institutionalize EITI and improve the legislation base in accordance with EITI standard requirements, including the following:

(a) the drafting of amendments to the Recipient’s law on subsoil to increase the transparency of the extractive industries sector and impose mandatory reporting and full disaggregation of EITI data by subsoil users in the Recipient’s territory.

(b) a study of the mechanism of distribution of revenues from the mining industry at the sub-national level.

(c) the development of the reporting templates and instruction for preparing and submitting EITI reports for mining companies and government agencies based on the introduction of the EITI standard with the inclusion of data on production volumes in monetary and physical terms.

Part 4: Operational Support for Efficient EITI Implementation

Providing support to the EITI Secretariat and financing its operational costs during Project implementation.
SCHEDULE 2
Project Execution

Section I. Institutional and Other Arrangements

A. Implementation Arrangements

1. For purposes of carrying out the Project, the Recipient shall:

   (a) maintain the EITI Secretariat at all times during Project implementation, with professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank; and

   (b) ensure that a supervisory board (the EITI Supervisory Board) is maintained throughout Project implementation. The EITI Supervisory Board shall be headed, jointly, by the Director of the State Agency on Geology and Mineral Resources and the Head of the EITI Secretariat. The Supervisory Board shall be responsible for: (i) formulating policies and strategies to define the direction and to ensure the momentum of EITI in the Recipient’s territory; (ii) ensuring the reporting process and selection of an independent auditor for the reconciliation exercise; and (iii) making key decisions on EITI implementation issues;

2. The Recipient shall, no later than thirty (30) days after the Effective Date, prepare and maintain throughout Project implementation a work plan (Work Plan) for the Project in form and substance satisfactory to the World Bank. The Work Plan shall be approved by the EITI Supervisory Board.

3. The Recipient shall ensure that the proceeds of the Grant are not used for the purpose of any payment to persons or entities, or for the import of goods, if such payment or import, to the Recipient’s knowledge or belief, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, including under United Nations Security Council Resolution 1373 and related resolutions.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of 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. Donor Visibility and Visit
1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor's support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donors to visit any part of the Recipient's territory for purposes related to the Project.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. 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 one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

2. 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.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. 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 semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. 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:

   (a) Section 1 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 (revised July 2014)
As previously extracted, the text of the document is: 

(“Procurement Guidelines”) in the case of goods and non-consulting services, and 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 (revised July 2014) (“Consultant Guidelines”) in the case of consultants’ services; and

(b) the provisions of this Section III, 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”).

2. Definitions. The capitalized terms used below in 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.

B. Particular Methods of Procurement of Goods and Non-consulting Services

Goods and non-consulting services shall be procured under contracts awarded on the basis of Shopping.

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 assignments 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 of consulting firms; (f) Selection of Individual Consultants.

D. 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.
Section IV. **Withdrawal of Grant Proceeds**

A. **General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of 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 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 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 USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, non-consulting services, consultants’ services including audit, Training and Incremental Operating Costs</td>
<td>300,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period**

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 referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2015.
APPENDIX

1. “EITI Secretariat” means the Recipient’s institution established under the Kyrgyzstan EITI Supervisory Board pursuant to the Recipient’s Resolution #317 dated December 8, 2010.

2. “EITI Standard” means the global transparency standard for improving governance of natural resources. It is the authoritative source on how countries can implement the EITI.

3. “EITI Supervisory Board” means a multi-stakeholder governing body, which consists of representatives of government agencies, civil society organizations and mining companies and referred to in Section I.A.1 (b) of Schedule 2 to this Agreement.

4. “Incremental Operating Costs” means the incremental operating costs required for implementing the Project including consumable materials and supplies, utilities, communications, advertisements, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, travel, lodging and per diems, but excluding salaries of officials for the Recipient’s civil service.

5. “State Agency for Geology and Mineral Resources” means the Recipient’s agency established pursuant to the Recipient’s Resolution #12 dated January 12, 2012 (as amended to the date of this Agreement) or any legal successor thereto.

6. “Training” means expenditures incurred during Project implementation including purchase and publication of materials, rental of facilities, course fees, translation and interpretation expenses, and travel and subsistence of trainers and trainees.

7. “Work Plan” means the Project work plan referred to in Section I.A.2 of Schedule 2 to this Agreement, which shall include, inter alia: (i) a detailed description of planned activities for the Project; (ii) the sources and uses of funds therefor; and (iii) responsibility for execution of said Project activities, budgets, start and completion date, outputs, and monitoring indicators to track progress of each activity, as the same may be amended, from time to time, in a manner satisfactory to the World Bank.