Project Agreement

Second Rural Water Supply and Sanitation Project

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY

Dated October 28, 2011
GRANT NUMBER H462-KG
CREDIT NUMBER 4560-KG

PROJECT AGREEMENT

Agreement dated October 28, 2011, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) dated May 21, 2009 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 its Respective Part of 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 its Respective Part of 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 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:
____________ _______ _____________

AGREED at Bishkek, Kyrgyz Republic, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Alexander Kremer
Authorized Representative

COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY

By /s/ Elmira Sultanovna Ibraimova
Authorized Representative
SCHEDULE

Execution of the Project Implementing Entity’s Respective Part 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 PIP, the Operational Manual, and the Procurement Plan. Except as the Association shall otherwise agree, the Project Implementing Entity shall not amend or waive any provision of the PIP, the Project Operational Manual or the Procurement Plan, 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 implementation of the Project in collaboration and coordination with various stakeholders.

B. Sub-Grants.

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

2. The Project Implementing Entity shall make each Sub-loan under a Sub-loan Agreement with the respective Beneficiary on terms and conditions approved by the Association, which shall include the following:

   (a) (i) The Sub-loan shall be denominated in United States Dollars (US$); and (ii) repayable on the terms set forth in the Operational Manual.

   (b) The Sub-projects shall be carried out in accordance with the provisions of the Environmental Management Framework and the Environmental Management Plan.

   (c) Each Beneficiary shall provide a portion of the cost of its respective Sub-project, in accordance with the principles set forth in the Operational Manual.

   (d) All works, goods and consultant’s services to be financed out of the proceeds of the Grant and the Credit shall be procured in accordance with the procedures set forth in Section III of this Schedule 2 to this Agreement as well as in the Operational Manual, and shall be used exclusively in the carrying out of the Sub-projects.

   (e) The Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Borrower and the Association, including the right to: (i) suspend or
terminate the right of the Beneficiary to use the proceeds of the Sub-loan, declare to be immediately due and payable all or any part of the amount of the Sub-loan then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Sub-loan 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, sanitary, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to borrowers of loan proceeds other than the Borrower; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Sub-loan 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, the Borrower’s or the Project Implementing Entity’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 Project Implementing Entity, the Borrower, and the Association; (F) enable the Project Implementing Entity, 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 Project Implementing Entity, the Borrower and the Association all such information as the Project Implementing Entity, the Borrower, or the Association shall reasonably request relating to the foregoing.

3. The Project Implementing Entity shall exercise its rights under each Sub-loan Agreement in such manner as to protect the interests 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-loan Agreement or any of its provision

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.

1. The Project Implementing Entity shall carry out the Project in accordance with the provisions of the Environmental Management Framework and the Environmental Management Plan.

2. The Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provisions of the Environmental Management Framework as well as those of the Environmental Management Plan, without prior approval of the Association.
3. The Project Implementing Entity shall include adequate information on the implementation of the Environmental Management Framework, the Environmental Management Plan and the Project Reports referred to in Section II.A.1 of this Schedule.

4. The Project Implementing Entity shall ensure that all measures identified and described in the Environmental Management Framework and the Environmental Management Plan are taken in a timely manner.

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 for its Respective Parts of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Borrower not later than fifteen (15) days after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Association of the Project Report.

2. The Project Implementing Entity shall:

   (i) prepare, under terms of reference satisfactory to the Association, and furnish to the Borrower, on or about December 31, 2011, the first periodic report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section, on the progress achieved in the carrying out the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out the Project and the achievement of the objectives thereof during the period following such date; and

   (ii) review with the Association, by January 15, 2012, or such later date as the Association shall request, the report referred to in paragraph 1 of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

3. The Project Implementing Entity shall provide to the Borrower not later than four (4) months after the Closing Date, for incorporation 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 the provisions of Section 4.09 of the General Conditions, 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 Borrower, for submittal to the Association, not later than thirty (30) 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 in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Borrower and to the Association not later than six months after the end of the period.

4. The Project Implementing Entity will have the internal control framework, the operational 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 Implementing Entity’s Respective Parts of 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.