Ms. Olga Lavrova  
Minister of Finance  
Ministry of Finance  
58 Erkindik Blvd.  
Bishkek, 720040  
KYRGYZ REPUBLIC

Re: Kyrgyz Republic: IDF Grant for Capacity Building for  
Public Sector Internal Audit Project  
IDF Grant No. TF012781

Excellency:

In response to the request for financial assistance made on behalf of the Kyrgyz Republic ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient a grant from the World Bank’s Institutional Development Fund ("IDF") in an amount not to exceed four hundred ninety one thousand United States Dollars (US$491,000) ("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").

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 return it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date on which the World Bank receives notice of completion of internal approval procedures under the laws of the Recipient; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned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 ninety (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 BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Saroj Kumar Jha
Regional Director
Central Asia

AGREED:

KYRGYZ REPUBLIC

By

Authorized Representative

Name Olga Lavrova
Title Minister of Finance
Date 30.12.2013

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

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

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.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support the Recipient in building capacity for public sector internal audit by: (i) strengthening its institutional framework; (ii) improving the knowledge and skills of internal auditors in the public sector; and (iii) increasing the awareness of the strategy implementation. The Project consists of the following parts:

Part A: Establishment of Mechanisms that Support Implementation of the Recipient’s Internal Audit

Provision of technical assistance including training in establishing mechanisms that support implementation of the Recipient’s internal audit systems by: (i) developing and adopting an internal audit quality assurance and improvement program (QAIP); and (ii) designing and establishing a continuous professional development program (CPD) for all public internal auditors.

Part B: Development of Online Resources System

Provision of technical assistance including training in developing online resources system by establishing an information and communication technology knowledge-based portal and website, and information portal accessible to all public sector internal auditors.

Part C: Capacity Development of Internal Audit Staff

Provision of goods, training, and technical assistance in developing capacity of internal audit staff by: (i) developing training materials based on the new internal audit document and introduction of certification of public internal auditors; (ii) providing training to public internal auditors; and (iii) carrying out training of trainers.

Part D: Awareness and Audit

(a) Provision of technical assistance, including training, in supporting the Recipient to disseminate the need and perspective of enhancing the internal audit capacity in the public sector and implementation of the audit reforms and standards; and (b) provision of 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”); and (c) this Article II.

2.03. Institutional and Other Arrangements. Without limitation to the provisions of Section 2.01 (b) of the Standard Conditions, the Recipient shall provide in-kind contribution consisting of office facilities, counterpart staff time, trainee staff time and administrative support to facilitate the implementation of the Project.

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, 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 such period as shall be indicated in the World Bank’s request and shall be furnished to the World Bank not later than one month after the date of such request.

(b) The Recipient shall, upon the World Bank’s request, 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 five months (5) 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 as part of the Project Report not later than forty-five days (45) after the end of each semester, covering the semester, 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. 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 (6) after the end of such period.

2.06. Procurement

(a) General. All goods 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:

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

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. Goods shall be procured under contracts awarded on the basis of Shopping.

(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 may be used for the 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; and (G) 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. All terms of reference are subject to prior review.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. (a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) 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 USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>43,800</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ Services, including Audit</td>
<td>325,650</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training and Workshop</td>
<td>121,550</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>491,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

(b) For the purposes of this Section, the term “Training and Workshops” means the reasonable expenditures (other than consultants’ services) incurred in connection with the provision of training and workshops under the Grant, including travel expenditures, study tours, lodging, translation and interpretation costs, materials, _per diem_ of trainees, facility rental costs, and other expenses directly relating to training and workshop acceptable to the World Bank.

3.02. _Withdrawal Conditions_. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be madefor 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 years after the date the World Bank receives notice of completion of internal procedures 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 the Minister of Finance.

4.02. _Recipient’s Address_. 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  
Telex:  
Facsimile:  
245-156 NUR KH (996-312) 661645
4.03. **World Bank's Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

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