Mr. Kubanychbek Ismailov  
Community Development and Investment Agency (ARIS)  
102, Bokonbaev Street  
Bishkek City  
Kyrgyz Republic

Re:  ECAPDEV Project Preparation Grant No. TF019293  
Urban Development Project

Dear Sir:

In response to the request for financial assistance made on behalf of the 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 the Russian Federation ("Donor") under the Trust Fund for Europe and Central Asia Region Capacity Development (TF071624), proposes to extend to the Recipient for the benefit of the Kyrgyz Republic ("Member Country"), a grant in an amount not to exceed five hundred and eighty thousand United States Dollars (U.S.$580,000) ("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").

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effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank,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  

Jean-Michel Hapni
Country Manager
Kyrgyz Republic

AGREED:

COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY (ARIS)

By

Authorized Representative

Name  

Ismailov K

Title  

Executive Director of ARIS

Date:  

12.03.2015

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.

(a) "UDP" means the Urban Development Project to be financed by IDA.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to support the Member Country to prepare the UDP. The Project consists of the following parts:

Part 1: Planning and Prioritization

(i) Development of criteria for selecting investment sub-projects to be financed by the UDP; and
(ii) Preparation of a list of sub-projects and prioritization of the sub-projects in the list, based on the identified criteria and consultations with local governments.

Part 2: Environmental and Social Impact Studies, Feasibility Studies, and Design

(i) Carrying out an environmental and social impact assessments for the UDP;
(ii) Carrying out feasibility studies for sub-projects under the UDP;
(iii) Conducting energy audits to support pilot energy efficiency investments; and
(iv) Carrying out detailed designs of investment sub-projects and drafting of the relevant bidding documents.

Part 3: Project Operational Manual, Economic Analysis, Baseline, and Target Indicators

(i) Preparing the Project Operational Manual including: (a) the roles and responsibilities of project implementation staff; (b) economic analysis of sub-projects; (c) results matrix including the indicators; (d) Environmental Management Framework and (e) baseline data.
(ii) Carrying out a Project 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.** For purposes of carrying out the Project, the Recipient shall maintain at all times during the Project implementation professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank, to perform all Project-related functions including, inter alia, procurement and financial management.

2.05. **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 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.

(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**.

2.06. **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 45 days after the end of each calendar 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 after the end of such period.

2.07. **Procurement.** All goods, works, non-consulting services, and/or consulting services required for the Project and to be financed, fully or partially, out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in 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 and updated in July 2014 (“Procurement Guidelines”), and the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 and updated in July 2014 (“Consultant Guidelines”).

2.08. Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared by the Recipient and approved by the Bank in accordance with the Procurement Guidelines and the Consultant Guidelines, prior to initiating the procurement process for any such contract.

**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) 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 consisting of Consultants’ services including audit and Operating Costs inclusive of Taxes.
For the purposes of this paragraph, the term "Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of Project implementation, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/ printing, consumables, travel cost and per diem for Project staff for travel linked to the implementation of the Project, and salaries of contractual staff for the Project (but excluding consultants' services and salaries of officials of the Recipient's civil service).

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 September 30, 2016.

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**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 its Executive Director.

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 City  
   Kyrgyz Republic  
   Facsimile: (996-312) 62 47 48

4.03. **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  
   Facsimile: 1-202-477-6391