Financing Agreement

(Tax Administration and Statistical System Modernization Project)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between KYRGYZ REPUBLIC ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient a grant and a credit, which are deemed as Concessional Financing for purposes of the General Conditions (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):

(a) an amount equivalent to twelve million seven hundred thousand Special Drawing Rights (SDR 12,700,000) (“Grant”); and

(b) an amount equivalent to twelve million seven hundred thousand Special Drawing Rights (SDR 12,700,000) (“Credit”).

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
2.05. The Payment Dates are February 15 and August 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause (a) Parts 1, 2 and 5 (i) of the Project to be carried out by the STS Project Implementing Entity, and (b) Parts 3, 4 and 5 (ii) of the Project to be carried out by the NSC Project Implementing Entity, in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the respective Project Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists, namely, of the following, namely, that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the respective Project Agreement.

4.02. The Additional Event of Acceleration consists of the following: the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Project Operations Manual has been prepared and adopted by the Project Implementing Entities, in form and substance satisfactory to the Association;

(b) each of the Project Implementing Entities has (i) hired a PMU manager, one financial manager and one senior procurement specialist, and (ii) established PMUs with resources and terms of reference satisfactory to the Association.
5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the Signature Date.

5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister of Finance.

6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

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

Telex: Facsimile:
245-156NUR KH (996 312) 661645

6.03. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: Facsimile:
248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

KYRGYZ REPUBLIC

By

[Signature]

Authorized Representative

Name: Bobolzhol Isenbeeva
Title: Minister of Finance
Date: April 28, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Dolonmaa Ampaador
Title: Country Manager
Date: April 28, 2020
SCHEDULE 1

Project Description

The objective of the Project is to improve effectiveness of tax collection and the national statistical system.

The Project consists of the following parts:

Part 1. STS Institutional Development

1.1. Provide support to improve taxpayer services through the following: (i) the modernization of taxpayer services to increase the taxpayers’ awareness of revenue laws and procedures, taxpayers’ rights and obligations, including *inter alia* the provision of comprehensive services for taxpayers and the upgrade of the contact (call) center; and (ii) strengthening internal and external STS communications.

1.2. Provide support to enhance strategic management and staff management of the STS through the following: (i) strengthening the management process for the STS covering all organizational levels and the monitoring system for assessing the STS’ performance; (ii) improving human resource management and capacity building; (iii) improving the internal control and integrity function; and (iv) developing and implementing a change management strategy.

Part 2. STS Operational Development

2.1 Provision of support for: (i) carrying out of business process reengineering to enable institutional, legal and procedural improvements of tax administration; and (ii) implementation of a tax compliance management system, including the development of methodologies and strengthening of the tax administration capacity in functional areas, including, *inter alia*, taxpayers’ registration, tax return and payment processing, enforcement and compliance, tax audit, risk analysis, appeals process, and business analytics.

2.2 Provision of support for: (i) improving the STS tax administration IT system; (ii) upgrade of and development of requirements for the IT infrastructure to support the upgraded STS tax administration IT system; (iii) development of the STS staff capacity to ensure operation of the enhanced STS tax administration IT system; and (iv) development of protocols and agreements enabling sharing of information between the STS and other government bodies and third parties through the existing information exchange system.
Part 3. NSC Institutional Development

3.1 Modernization of the national statistical system through: (i) reviewing and drafting the statistical system’s legal and regulatory framework to provide support for the implementation of the Law on Official Statistics; (ii) modification of the institutional structure of the NSC’s headquarters and regional units; and (iii) enhancement of NSC business processes and the national statistical system by introducing the generic statistical business process model.

3.2 Provision of support for development of human capacity through: (i) developing curricula and university program courses in official statistics for universities; (ii) improving the human resources management system of NSC; and (iii) development of capacity in the Institute of Statistical Research and Capacity Building of NSC to apply international statistics standards and methodologies in all areas of statistics.

Part 4. NSC Data Development

4.1 Provision of support for data collection and dissemination through: (i) carrying out analyses and changes in the data collection process with a view to reducing the number of forms and indicators collected; (ii) improving the statistical databases and calculation methodologies in main areas of statistics; (iii) improving the data dissemination in an open and user-friendly format, as well as, capacity building in the NSC to analyze data and present it to users with metadata, basic manipulation tools, and explanations.

4.2 Provision of support for: (i) enhancement of the statistical infrastructure of NSC’s headquarters and regional and local offices; (ii) enhancement of the statistical infrastructure to conduct population, agricultural and economic censuses; (iii) digitalization of the Rural Household Register (RHR); (iv) improving the capacity of municipal civil servants responsible for collecting statistics at the local (cities and villages) level; and (v) enhancement of technological capacity and IT infrastructure to support data collection, processing, dissemination and secure network management through provision of software, equipment and technical assistance.

Part 5. Project Management

Support for Project management, implementation, and monitoring, evaluation, and reporting, including in the areas of financial management, Project audits, and financing of Operating Costs, procurement, disbursement, and social and environmental protection for (i) STS PMU and (ii) NSC PMU.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. For the purposes of overall Project management, implementation and coordination, the Recipient shall cause the Project Implementing Entities to maintain, throughout the Project implementation, an STS PMU and an NSC PMU respectively, with staff, resources and terms of reference satisfactory to the Association and as further described in the POM.

2. Notwithstanding the provisions of Section I.A.1 immediately above, the Recipient shall cause the Project Implementing Entities to hire, not later than three (3) months from Effective Date, a disbursement specialist, a procurement specialist, an office manager/translator and a M&E specialist, all with terms of reference and qualifications acceptable to the Association and as further described in the POM.

3. The Recipient shall cause the Project Implementing Entities to: (a) carry out the Project in accordance with the Project Operational Manual, satisfactory to the Association, and setting out, inter alia, the institutional, disbursement, procurement and financial management (including Project-related internal control, budgeting, external auditing, financial reporting and accounting policies and procedures) arrangements for the implementation of the Project; and (b) not amend, suspend, repeal or waive any of the provisions of the Project Operational Manual without the Association’s prior written agreement. In case of any discrepancy between the provisions of the Project Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

4. The Recipient shall cause the Project Implementing Entities to, not later than sixty (60) days from the Effective Date, install or update, as needed, an accounting software capable to support the Association’s and the Project Implementing Entities’ reporting and accounting requirements; all of the above in accordance with terms of reference acceptable to the Association.

B. Annual Work Plan and Budget

1. The Recipient shall cause the Project Implementing Entities to prepare and furnish to the Association not later than December 31 in each calendar year, for the Association’s consideration, a proposed work plan of activities proposed for inclusion in the Project for the following calendar year, containing: (a) a detailed timetable for the sequencing and implementation of proposed Project activities; (b) the types of expenditures required for such activities and a proposed financing plan.
(including the necessary funds and resources to be provided by the Recipient for such expenditures); (c) any training activities that may be required under the Project; and (d) the reference to implementation of said activities in accordance with the provisions of Section I.C of this Schedule 2.

2. The Recipient cause the Project Implementing Entities to afford the Association a reasonable opportunity to review each such proposed plan and budget, and thereafter shall ensure that the Project is implemented with due diligence and efficiency in accordance with such work plan and budget as shall have been approved by the Association ("Annual Work Plan and Budget").

C. **Environmental and Social Standards.**

1. The Recipient shall, and shall cause the Project Implementing Entities to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.

2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause the Project Implementing Entities to ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall, and shall cause the Project Implementing Entities to, ensure that:

   (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;

   (b) sufficient funds are available to cover the costs of implementing the ESCP;

   (c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and

   (d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Association shall otherwise agree in writing and the Recipient has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Recipient shall, and shall cause the Project Implementing Entities to:

   (a) take all measures necessary on its part to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the management tools and instruments referred to therein, all such
reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

(b) promptly notify the Association of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.

4. The Recipient shall, and shall cause the Project Implementing Entities to, maintain and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient cause the Project Implementing Entities to furnish to the Association each Project Report not later than one month after the end of each calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services, Training for the Parts 1</td>
<td>6,350,000</td>
<td>6,350,000</td>
<td>100% in accordance with the Annual</td>
</tr>
</tbody>
</table>
and 2 of the Project, and Work Plan and Operating Costs Part 5 (i)  

<table>
<thead>
<tr>
<th>(2) Goods, works, non-consulting services, consulting services, Training for the Parts 3 and 4 of the Project, and Operating Costs Part 5 (ii)</th>
<th>6,350,000</th>
<th>6,350,000</th>
<th>100% in accordance with the Annual Work Plan and Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL AMOUNT</td>
<td>12,700,000</td>
<td>12,700,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.

2. The Closing Date is September 30, 2025.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15, commencing August 15, 2026 to and including February 15, 2058</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.
APPENDIX

Definitions

1. “Annual Work Plan and Budget” means the Recipient’s annual work plan and budget approved by the Association in accordance with the provisions of Section 1.B of Schedule 2 to this Agreement, as said work plan and budget may be modified from time to time with the prior written agreement of the Association.

2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.


4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

5. “Environmental and Social Commitment Plan” or the acronym “ESCP” means the Project Implementing Entities’ environmental and social commitment plan, acceptable to the Association, dated January 20, 2020, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Association, and such term includes any annexes or schedules to such plan.


10. “NSC Project Implementing Entity” means National Statistics Committee of the Kyrgyz Republic established and operating pursuant to the NSC Legislation.


12. “NSC PMU” means a project management unit established within the NSC and referred to in Section I.A.1 of Schedule 2 to this Agreement.

13. “NSC Project Agreement” means the agreement between the Association and NSC of even date herewith relating to the implementation of Parts 3 and 4 of the Project, as the same may be amended from time to time, and such term includes all schedules and agreements to the NSC Project Agreement.

14. “Operating Costs” means the incremental operating expenditures incurred by the Project Implementing Entities on account of the Project implementation, management, monitoring and evaluation, including salaries of contractual staff (but excluding salaries of officials of the Recipient’s civil service) and the associated Social Charges, office rent, office materials and supplies, utilities, communication costs, transport and vehicle maintenance costs, support for information systems, translation costs, bank charges and travel and per diem costs of the Project Implementing Entities’ staff, support for the implementation of Beneficiary Feedback Mechanism, and other reasonable expenditures directly associated with implementation of the Project activities, all based on an annual budget acceptable to the Association.

15. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.

16. “Project Implementing Entity” means any one of the following: (i) NSC Project Implementing Entity or, (ii) STS Project Implementing Entity, and “Project Implementing Entities” means both of these Project Implementing Entities jointly.
17. “Project Implementing Entity’s Legislation” means any one of the following: (i) the NCS Legislation; and (ii) the STS Legislation, including any amendments thereto or any succeeding legislation.

18. “Project Management Units” or “PMUs” means collectively the STS PMU and NSC PMU.

19. “Project Operations Manual” or “POM” means the manual to be adopted by the Project Implementing Entities pursuant to Section 5.01 (a) of this Agreement and further referred to in Section I.A.2 in Schedule 2 to this Agreement, setting forth, inter alia, the institutional, disbursement, procurement and financial management arrangements for the implementation of the Project.

20. “Respective Parts of the Project” means any of the following: (i) Parts 1, 2 and 5 (i) of the Project carried out by the STS Project Implementing Entity, and (ii) Parts 3, 4 and 5 (ii) of the Project carried out by the NSC.

21. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

22. “Social Charges” means any payments or contributions for health benefits, unemployment benefits, disability insurance, workers’ compensation benefits, retirement (pension or social security) benefits, and life insurance, or any other benefits according to the Recipient’s legislation.

23. “STS Project Implementing Entity” means the State Tax Service under the Government of the Kyrgyz Republic established pursuant to STS Legislation.


25. “STS PMU” means a project management unit established within the STS and referred to in Section I.A.1 of Schedule 2 to this Agreement.

26. “STS Project Agreement” means the agreement between the Association and STS of even date herewith relating to the implementation of Parts 1 and 2 of the Project, as the same may be amended from time to time, and such term includes all schedules and agreements to the STS Project Agreement.

27. “Training” means expenditures (other than those for consulting services) incurred by the Recipient in connection with study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment.
rental, travel, per diem costs for trainees and trainers and trainers' fees (as applicable), all based on an annual budget satisfactory to the Association.