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

Dear Ms. Lavrova,

Re: DFID Co-financing Trust Fund for the Second Rural Water Supply and Sanitation Project
Grant No TF013105

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 Development Association ("World Bank"), acting as administrator of grant funds provided by the Government of the United Kingdom of Great Britain and Northern Ireland acting through the Department for International Development ("Donor"), proposes to extend to the Recipient a grant in an amount not to exceed eight hundred seventy-one thousand six hundred Pounds Sterling (£871,600) ("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 aforesaid 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 aforesaid 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

November 28, 2012
Ms. Olga Lavrova

November 28, 2012

Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World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 DEVELOPMENT ASSOCIATION

By

Saroj Kumar Jha
Regional Director
Central Asia

AGREED:
KYRGYZ REPUBLIC

By:

Authorized Representative

Name: Ms. Olga Lavrova

Title: Minister of Finance

Date: 26.02.2013

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, in this Agreement, or in the Financing Agreement for the Second Rural Water Supply and Sanitation Project between the Kyrgyz Republic and the World Bank dated May 21, 2009, as amended on October 28, 2011.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to assist the Recipient in: (i) improving access to potable water for the participating communities; (ii) improving hygiene, sanitation and water-related practices at individual, family and institutional levels in the rural area; and (iii) strengthening the institutional framework and capacity for the rural drinking water supply and sanitation sector. The Project consists of the following parts:

**Part A: Sanitation and Hygiene Promotion Program.** Provision of technical assistance to the Recipient to promote healthy hygiene and sanitation practices in the rural areas, including the Participating Communities.

**Part B: Institutional Development.** Provision of technical assistance to the Recipient to strengthen the sustainability of its rural water supply system, including: (a) supporting the development and implementation of the strategy for sustainable supply of safe drinking water; (b) improving the institutional framework, as well as strengthening capacity to develop normative acts, for the sustainable supply of safe drinking water; (c) the provision of training, workshops and seminars to enhance the capacity of CDWUs, Local Self-Government, DRWS, and ARIS in the area of water supply as well as matters pertaining to sanitation and hygiene; and (d) strengthening the management information system of the Project.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity 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 The Recipient shall at all times, throughout the implementation of the Project, maintain the Project Implementing Entity with funds, resources, functions and powers necessary to enable it to carry out the Project activities, and with qualified and experienced management and other staff, all as agreed by the Association.

2.04. **Donor Visibility and Visit.**
   
   (a) 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.

   (b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

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 agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days 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 forty-five (45) days after the end of each calendar quarter, covering the quarter, 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. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
2.07. **Procurement**

(a) **General.** All goods, works, 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:

(i) Section I 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 (“Procurement Guidelines”), in the case of goods, works and non-consulting services;

(ii) 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 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) 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, Works and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts which are specified in the Procurement Plan:

(A) National Competitive Bidding, subject to the additional provisions spelled out in Appendix I hereto;

(B) Shopping;

(C) Direct Contracting; and

(D) Community Participation procedures which have been found acceptable to the World Bank.

(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, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan:

(A) Selection under a Fixed Budget;
(B) Least Cost Selection;
(C) Selection based on Consultants' Qualifications;
(D) Single-source Selection of consulting firms;
(E) Selection of the United Nations Children’s Fund;
(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.

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) 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 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 Pounds Sterling)</th>
<th>Percentage of Expenditures to be Financed (inclusive/ of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services and consultants’ services under the Project</td>
<td>£871,600</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>£871,600</td>
<td></td>
</tr>
</tbody>
</table>
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 April 30, 2014.

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: 245-156 NUR KH Facsimile: (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 Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS Telex: 248-23 (MCI) or 1-202-477-6391 Facsimile: 541-5 (MCI)
Appendix 1
Special Provisions for National Competitive Bidding

The procurement procedure to be followed for National Competitive Bidding shall be subject to: (a) the provisions of Section I and paragraphs 3.3 and 3.4 of the Procurement Guidelines and (b) the following paragraphs:

1. The eligibility of bidders shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines. Exclusion from participation as a result of debarment should result from violation of clearly identified grounds of misconduct and in accordance with a fair and transparent process.

2. Procuring entities shall use the appropriate standard bidding documents acceptable to the Bank.

3. An extension of bid validity, if justified by exceptional circumstances, shall be requested in writing from all bidders before the expiration date and for a minimum period required to complete the evaluation or award contract.

4. No national preferences may be applied on the basis of the origin of products or labor.

5. Entities in which the State owns a majority shareholding shall not be invited to participate in tenders for the Government unless they are and can be shown to be legally and financially autonomous and they operate under commercial law.

6. Pre-qualification shall be conducted for large works contracts and shall be applied upon the Bank’s agreement;

7. The pre- and post-qualification criteria shall only pertain to past contract performance, financial, managerial and technical capabilities of bidders.

8. Joint venture partners shall be jointly and severally liable for their obligations.

9. State unit costs shall not be used for contract budgeting and evaluation for civil works contracts.

10. Bids shall be opened in public, immediately after the deadline for their submission. No bids can be rejected at bid opening and under the circumstances referred to Article 6 of the Public Procurement Law.

11. No bids shall be rejected solely because they exceed the estimated price. Bids can be cancelled and re-bid; invited, only if the conditions of clause 2.62 of the Procurement Guidelines are met.

12. All bid evaluation criteria shall be quantifiable in monetary term.

13. Qualification criteria for bid evaluation shall be applied on a pass or fail basis.

14. Contracts shall be awarded to qualified bidder having submitted the lowest evaluated substantially responsive bid and no negotiation shall take place.
15. There should be an effective and independent protest mechanism allowing bidders and interested parties to protest and to have their protest handled in a timely manner.

16. Advance Bank no objection is required for any modifications in the contract scope/conditions during contract implementation;