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**CREDIT NUMBER 7470-KG**

# **Financing Agreement**

**(Second Additional Financing for Sustainable Rural Water Supply and  
Sanitation Development Project)**

**between**

**KYRGYZ REPUBLIC**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**CREDIT NUMBER 7470-KG**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between KYRGYZ REPUBLIC (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project. 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 credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount of seven million six hundred forty thousand Dollars (US\$ 7,640,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 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 Payment Dates are March 15 and September 15 in each year.
- 2.05. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.06. The Payment Currency is Dollar.

**ARTICLE III — PROJECT**

- 3.01. 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 Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following: 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 Project Agreement.
- 4.02. The Additional Events of Acceleration consist of the following: any event specified in Section 4.01 of this Agreement occurs.

**ARTICLE V —EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following namely that the Recipient has executed the Subsidiary Agreement on behalf of the Recipient and the Project Implementing Entity, in form and substance satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date one hundred eighty (180) 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; and

(b) the Recipient's Electronic Address is:

Telex:	Facsimile:
245-156 NUR 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**

*Almaz Baketaev*

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**Authorized Representative**

**Name:** Almaz Baketaev

**Title:** Minister of Finance

**Date:** 16-Apr-2024

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**

*Tatiana Proskuryakova*

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**Authorized Representative**

**Name:** Tatiana Proskuryakova

**Title:** Country Director for Central Asia

**Date:** 16-Apr-2024

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are: (i) to improve access and quality of water supply and sanitation services in the Participating Rural Communities; and (ii) to strengthen capacity of the Recipient's institutions in the water supply and sanitation sector.

The Project consists of the following parts:

#### **Part 1: Water Supply Investments**

Rehabilitation of existing and/or construction of new water supply systems in the Participating Rural Communities, including preparation of designs and on-site construction supervision.

#### **Part 2: Sanitation Development**

- (a) Retrofitting of existing indoor sanitary facilities and/or construction of new sanitary facilities in schools, pre-schools, and other social institutions in the Participating Rural Communities, including preparation of designs and on-site construction supervision.
- (b) Development of standard designs, including construction and operational guidelines, for households' latrines and septic systems in rural areas.
- (c) Provision of strategic technical, policy and capacity support for improved sanitation in rural areas.
- (d) Carrying out a needs assessment for the selected Sanitary Epidemiological Surveillance (SES) units located within the Recipient's Ministry of Health at the rayon level and provision of assistance to support their mandate for improving public health related to water-quality testing, monitoring, and compliance mechanisms.
- (e) Development and implementation of a communication strategy and water, sanitation and hygiene educational campaigns to promote improved health and hygiene practices.
- (f) Preparation of a national strategy for rural sanitation to provide strategic guidance for addressing sanitation related development issues in the rural settings.
- (g) Provision of Results-based Incentives to Eligible Beneficiaries as Sub-grants to upgrade their household sanitation facilities to a hygienic level, including associated administration and verification.

Part 3: Institutional Strengthening

- (a) At the national level: (i) drafting legal/normative acts necessary for the implementation of the water sector strategy; (ii) providing technical assistance to improve financial and service regulation; (iii) establishing new institutional models for water service delivery; (iv) conducting focused studies on identified areas of need; (v) supporting the preparation of water supply and sanitation financing and investment plans; (vi) augmenting and institutionalizing the sector management information system and data base; and (vii) developing of an institutional support plan for DDWSWDD, including assessment of existing capacity, preparation of an implementation plan, and capacity building activities.
- (b) At the local level: (i) building the capacity of local authorities and local service providers responsible for water service delivery in the Participating Rural Communities in the areas of tariff setting, billing and collection systems, operations and maintenance, water quality testing, customer relations, complaints mechanisms, human resources, and commercial management; (ii) preparing service contract agreements, to clarify and formalize respective responsibilities of operators and asset owners and to support governance of service performance, tariffs setting and financing mechanisms; (iii) conducting beneficiary satisfaction surveys and evaluations and supporting mechanisms to improve citizen engagement, feedback, and consumer recourse; (iv) financing start-up support packages to CDWUUs (such as spare connection materials, meters, testing equipment, and tools) to assist with the transition from construction to operation; (v) strengthening DDWSWDD capacity at the rayon level, focusing on sector monitoring and technical support for complex operational and maintenance issues; and (vi) supporting the development of a connection subsidy strategy for low-income households within each Participating Rural Community.
- (c) Support capacity building activities for selected water and sanitation professionals and local actors, through carrying out: (i) an institutional capacity and training needs assessment; and (ii) designing and implementing selected courses and programs.

Part 4: Project Management

Strengthening the Project Implementing Entity's capacity for Project management, monitoring and evaluation, through provision of goods, consultants' services, Training, and financing of Operating Costs.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

The Recipient shall maintain throughout Project implementation, DDWSWDD and the Project Implementing Entity with functions, structure and resources satisfactory to the Association and adequate for successful implementation of the Project, which shall include, without limitation, staff (including management staff) with experience, qualifications and terms of reference acceptable to the Association, all satisfactory to the Association and adequate for successful implementation of the Project.

##### **B. Subsidiary Agreement**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association (“Subsidiary Agreement”), including terms and conditions with respect to Parts 2 (g) and 3 (c) of the Project.
2. The principal amount of the Financing made available under the Subsidiary Agreement (“Subsidiary Financing”) shall be denominated in Dollars.
3. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

##### **C. Annual Work Plan and Budget**

1. The Recipient shall cause the Project Implementing Entity to prepare, in accordance with the terms of reference acceptable to the Association, and furnish to the Association not later than December 1<sup>st</sup> of each calendar year during the implementation of the Project, a work plan and budget containing all activities proposed for inclusion in the Project for the next calendar year, including: (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); and (c) each Supplemental Social and Environmental Safeguard Instrument applicable to said activities in accordance



with the provisions of Section I.F of this Schedule 2 and the measures proposed to be carried out under each of said Supplemental Social and Environmental Safeguard Instrument during the relevant year.

2. The Recipient shall cause the Project Implementing Entity to afford the Association a reasonable opportunity to exchange views with the Recipient on each such proposed work plan and budget; and thereafter ensure that the Project is implemented with due diligence during said following calendar year in accordance with such work plan and budget as shall have been approved by the Association (“Annual Work Plan and Budget”).
3. The Recipient shall not make or allow to be made any material change to the approved Annual Work Plan and Budget without prior approval in writing by the Association.

**D. Project Manuals**

1. The Recipient shall cause the Project Implementing Entity to implement the Project in accordance with the Project Manuals satisfactory to the Association. The Project Operational Manual shall set forth rules, methods, guidelines and procedures for the carrying out of the Project, including, *inter alia*: (a) detailed description of the Project and institutional arrangements for its implementation; (b) monitoring, evaluation, reporting, and governance procedures for the Project; (c) disbursement, financial management, auditing and safeguards procedures for the Project; (d) procurement rules, procedures, and standard bidding documents for the Project. The Manual for Household Result-Based Sanitation Incentives for Parts 2 (g) of the Project, shall set forth, *inter alia*: (a) eligibility criteria, detailed rules and procedures for identification, registration and selection of Eligible Beneficiaries; (b) modalities for documentation and information management; and (c) criteria for verification, in form and substance acceptable to the Association.
2. In the event that any provision of the Project Manuals shall conflict with any provision of this Agreement, the provisions of this Agreement shall prevail. The Recipient shall not amend the Project Manuals without the Association’s prior written approval.

**E. Sub-grants - Results-based Incentives**

1. The Recipient shall ensure, through the Project Implementing Entity, that:
  - (a) No Eligible Beneficiary shall be eligible to receive a Sub-grant for a Results-based Incentive unless said Eligible Beneficiary has met the following requirements, and such further requirements as elaborated in the Manual for Household Result-Based Sanitation Incentives:

- (i) the Eligible Beneficiary is a resident in a Participating Rural Community;
  - (ii) the Eligible Beneficiary has presented a valid identification card; and
- (b) the selection, registration and identification of Eligible Beneficiaries are conducted in an open and transparent manner, all in accordance with the provisions of this Agreement and the Manual for Household Result-Based Sanitation Incentives.

**F. Safeguards**

1. The Recipient shall cause the Project Implementing Entity to implement the Project in accordance with the relevant Safeguards Instruments, and, to that end, shall:
  - (a) if any activity under the Project would require the adoption of any Supplemental Social and Environmental Safeguard Instrument, cause the Project Implementing Entity to:
    - (i) prepare: (A) such Supplemental Social and Environmental Safeguard Instrument in accordance with ESMF and RPF; (B) furnish such Supplemental Social and Environmental Safeguard Instrument to the Association for review and approval; and (C) thereafter adopt such Supplemental Social and Environmental Safeguard Instrument, acceptable to the Association, prior to and throughout the implementation of the said activity; and
    - (ii) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Social and Environmental Safeguard Instrument; and
  - (b) if any activity under the Project would involve Affected Persons, ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement measures under the respective Supplemental Social and Environmental Safeguard Instrument, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, have been implemented.
2. Without limitation to the provisions of paragraph 1 above, prior to contracting of works for each proposed site within the Participating Rural Communities, the Recipient shall cause the Project Implementing Entity to: (a) submit to the

Association for its prior approval: (i) the proposed design and site for said works and, where required by the respective Safeguard Instrument or local legislation, as applicable, any related environmental licenses and permits; and (ii) the proposed contract for said works to ensure that the provisions of the respective Supplemental Social and Environmental Safeguard Instrument are adequately included in said contract; and (b) ensure that such works are carried out in accordance with the respective Safeguard Instrument.

3. The Recipient shall ensure that no works on a specific site within the Participating Rural Communities requiring resettlement and/or land acquisition are commenced until the respective Supplemental Social and Environmental Safeguard Instrument for said site is fully implemented.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the 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: (a) finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Works for Part 1 and 2 of the Project and goods, non-consulting services and consultants' services, for Part 1, 2 and 3 of the Project	7,517,640	100 %

(2) Sub-grants under Part 2 (g) of the Project	122,360	100% of sub-grant amounts disbursed
<b>TOTAL AMOUNT</b>	7,640,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is June 30, 2026.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each March 15 and September 15:	
Commencing March 15, 2034 to and including September 15, 2073	<b>1.25%</b>

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to renumbered Section 3.03 (b) (originally numbered Section 3.05 (b)) of the General Conditions.

## APPENDIX

### Section I. Definitions

1. “Affected Person” means a person who as a result of: (i) the involuntary taking of land under the Project is affected in any of the following ways: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas suffers adverse impacts on his or her livelihood; and “Affected Persons” means the plural thereof.
2. “Annual Work Plan and Budget” means the work plan and budget prepared annually by the Recipient in accordance with the provisions of Section I.C of Schedule 2 to this Agreement, as approved by the Association.
3. “Anti-Corruption Guidelines” means 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 of Schedule 2 to this Agreement.
5. “CDWUU” means Community Drinking Water Users Union, and “CDWUUs” means the plural thereof.
6. “DDWSWDD” means the Department of Drinking Water Supply and Wastewater Disposal Development of the State Agency for Architecture, Construction and Communal Services under the Cabinet of Ministers of the Recipient, or any successor thereto.
7. “Eligible Beneficiaries” means each physical persons who have been declared eligible to receive a Sub-grant pursuant to Section I.F of Schedule 2 to this Agreement and “Eligible Beneficiary” means any of the Beneficiaries.
8. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (Last revised on July 15, 2023), with the modifications set forth in Section II of this Appendix.
9. “ESMF” means the Environmental and Social Management Framework prepared and adopted by the Project Implementing Entity for the purposes of the Project and disclosed in the Recipient’s country and in the Association’s Infoshop on October

5 and 12, 2023, respectively, which (i) contains, *inter alia*, the environmental protection measures in respect of the Project, including measures for chance finding of cultural property, pest management, protection of natural habitats, identification of existing environmental conditions and potential direct and indirect environmental and social impacts resulting from the carrying out of the Project, recommendation of mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact; and (ii) identifies social problems and risks related to the Project, assesses potential impact on various groups and analyzes the role of beneficiaries and stakeholders in the Project, as well as attainment of social development outcomes; as such framework may be amended from time to time with the Association's prior approval.

10. "ESMP" means a site specific environmental and social management plan, satisfactory to the Association, to be prepared by the Recipient pursuant to the provisions of ESMF, as such plan may be amended from time to time with the prior written approval of the Association, and "ESMPs" means the plural thereof.
11. "Manual for Household Result-Based Sanitation Incentives" means the manual referred to in Section I.D.1 in Schedule 2 to this Agreement.
12. "Operating Costs" means incremental costs incurred by the Project Implementing Entity on account of the Project coordination, implementation and monitoring, including expenditures for vehicles operation and maintenance, minor office renovations, office supplies and consumables, utilities, communication, translation and interpretation, bank charges, Project related travel, including *per diem* and accommodation, salaries and Social Charges of contractual staff for the Recipient (but excluding salaries of the Recipient's civil servants) and other miscellaneous costs directly associated with the Project implementation, all based on annual budgets acceptable to the Association.
13. "Original Financing Agreement" means the financing agreement for a Sustainable Rural Water Supply and Sanitation Development Project, between the Recipient and the Association, dated October 26, 2016 (Credit No. 5907-KG; Grant No. D138-KG).
14. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.
15. "Participating Rural Communities" means the following Ayil Okmotu's: Otuzadyr, Kyrgyz-Ata, Kashkajol, Kerme-Too, Sary-Tash, Kashka-Suu, Korul, Buloluu, Kyzyl-Zhar, Kenesh, Toloikon, Kyzyl-Suu, Kyzyl-Too, Salamalik, and Kashka-Suu in Osh Oblast; Ibraimov, Burana, Ak-Beshim, Kurama, Kun-Too, Jayil, Kyzyl-Tuu, Tolok, Tash-Moinok, Kara-Jygach, Ak-Dobo, Vasiliev, Frunze, Kainazarova, Taldy-Bulak, Sosnovka, Iskra. Kochkorbaev, Ivanovka, Ken-Bulun, Logvinenko, Kurpuldok, Orto, Kurama, Kara-Bulak, Kok-Oirok, and Boroldoi in

Chui Oblast; Chelpek, Darkhan, Ak-Bulun, Boz-Uchuk, Lipenka, Jeti-Oghuz, Orgochor, Tamga, Ak-Terek, Ak Bulak, Sary-Bulak, Kuturgu, Chon-Tash, Sadyr-Ake, Abdrahmanov in Issyk-Kul Oblast, as well as such other rural communities of the Recipient which may be jointly selected by the Association and the Recipient for the purposes of the Project.

16. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
17. “Project Implementing Entity” means the Community Development and Investment Agency of the Kyrgyz Republic, or any successor thereto.
18. “Project Implementing Entity’s Legislation” means the Edict of the President of the Recipient No. 330 dated October 15, 2003, as amended to the date of this Agreement.
19. “Project Manuals” means the manuals referred to in Section I.D of Schedule 2 to this Agreement.
20. “Project Operational Manual” means the manual referred to in Section I.D.1 of Schedule 2 to this Agreement.
21. “RAP” or “Resettlement Action Plan” means a site specific resettlement action plan, satisfactory to the Association, to be prepared by the Recipient pursuant to the provisions of RPF for compensation, resettlement and rehabilitation of Affected Persons, in connection with the works to be implemented under the Project, as such plan may be amended from time to time with the prior written approval of the Association, and “RAPs” means the plural thereof.
22. “Results-based Incentives” means the results-based incentives to households (Eligible Beneficiaries) in the Recipient’s Participating Rural Communities, provided through Sub-grants, with the objective of improving sanitation facilities for such households.
23. “RPF” or “Resettlement Policy Framework” means the resettlement policy framework, prepared and adopted by the Project Implementing Entity for the purposes of the Project and disclosed in the Recipient’s country and in the Association’s Infoshop on October 5 and 12, 2023, respectively, setting forth, inter alia: (i) the description of areas covered by the Project; (ii) the legal basis and screening process for land acquisition, resettlement and land use in connection with the works to be carried out under the Project; (iii) the resettlement principles and entitlements of Affected Persons based on different categories of impact; (iv) the procedures for valuation, compensation and other assistance provided to the Affected Persons, including the grievance process; (v) the responsibilities,



procedures and requirements for the development and implementation of site specific resettlement action plans; and (vi) an estimate of cost of compensation.

24. “Safeguards Instruments” means ESMF, RPF, and all Supplemental Social and Environmental Safeguard Instruments, and “Safeguards Instrument” means any one of these instruments.
25. “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.
26. “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.
27. “Sub-grant” means the grant to be made to a Beneficiary referred to in Part 2 (g) of Schedule 1 to this Agreement, and “Sub-grants” mean, collectively, two or more of such grants.
28. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.
29. “Supplemental Social and Environmental Safeguard Instrument” means any ESMP, RAP, or other site specific supplemental social and environmental safeguard instruments as may be required under the terms of ESMF or RPF, and “Supplemental Social and Environmental Safeguard Instruments” means the plural thereof.
30. “Training” means Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers’ contracts, including costs of training materials, space and equipment rental, travel, accommodation and *per diem* costs of trainees and trainers, trainers’ fees, and other training related miscellaneous costs.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 3.03 (Service Charge) and Section 3.04 (Interest Charge) are deleted in their entirety and the remaining Sections in Article III are renumbered accordingly, and all references to the Sections of Article III in any provision of the General Conditions are understood to be to such renumbered Sections.
2. Paragraph 66 (Interest Charge) in the Appendix is modified to read as follows:  
  
“66. “Interest Charge” means the interest charge for the purpose of Section 3.07.”
3. Paragraph 100 (Service Charge) in the Appendix is deleted in its entirety and the subsequent paragraphs are renumbered accordingly, and any reference to “Service Charge” or “Service Charges” in any provision of the General Conditions is deleted.