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CREDIT NUMBER 7601-KG

# Financing Agreement

(Additional Financing for Technical Assistance for Kambarata 1 Hydropower Plant Project)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

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**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 the Original Project (as defined in the Appendix to this Agreement). 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 eleven million Dollars (US\$ 11,000,000) (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 January 15 and July 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, through MoE, shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following:
- (a) that the Recipient has not, in the opinion of the Association, applied standards and measures consistent with the ESS Instruments to ensure the environmentally and socially sustainable management of the Kambarata 1 HPP project, including *inter alia* any preparatory and construction activities; and
  - (b) that the Recipient has proceeded to engage in works on the construction of river diversion tunnel, dam and powerhouse, and procurement of powerhouse mechanical and electronic equipment for Kambarata 1 HPP prior to the completion of the studies described below under Part 1 of the Project description in Schedule 1 of this Agreement.
- 4.02. The Additional Event of Acceleration shall be that any event specified in Section 4.01 of this Agreement occurs.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consists of the following:
- (a) The Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled;
  - (b) MoE has established the PMO in accordance with Section I.A.1 of Schedule 2 of the Agreement and satisfactory to the Association;
  - (c) The Recipient, through the MoE, has established the independent environmental and social panel of experts, as set out in Section I.A.3 of Schedule 2 to this Agreement, satisfactory to the Association; and
  - (d) The Recipient, through the MoE, has established the independent dam safety panel of experts, as set out in Section I.A.4 of Schedule 2 to this Agreement, satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date one hundred fifty (150) days after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. Except as provided in Section 2.02 of this Agreement, 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 of the Kyrgyz Republic

**Date:** 09-Sep-2024

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**

*Hugh Riddell*

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**Authorized Representative**

**Name:** Hugh Riddell

**Title:** Country Manager

**Date:** 09-Sep-2024

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assess the Kamarata 1 hydropower project's technical feasibility, enhance its environmental and social sustainability, and strengthen its financial and commercial frameworks.

The Project consists of the following parts:

#### **Part 1. Updating previous studies to verify the technical feasibility and economic viability**

Provision of technical assistance for carrying out due diligence of the previously prepared technical and economic feasibility study for Kamarata 1 HPP and updating such study, including, *inter alia*, additional studies needed, any minor works and goods required for such studies, and consulting services on dam safety, hydrology, and geology.

#### **Part 2. Strengthening environmental and social framework and benefit sharing aspects of Kamarata 1 HPP**

- (i) Provision of technical assistance for updating the previously prepared environmental and social documents for the Kamarata 1 HPP to align them with the environmental and social framework of the Association, including, *inter alia*, any additional environmental and social studies needed and any minor works and goods required for such studies;
- (ii) Establishment of an environmental and social panel of experts, which will support the preparation of social and environmental instruments for the Kamarata 1 HPP under (i) and the implementation of such documents during any subsequent construction phase; and
- (iii) Preparation and design of a benefit sharing program for local communities to benefit from the Kamarata 1 HPP, including stakeholder consultations on such program.

#### **Part 3. Developing a macroeconomically sustainable financing plan and a commercial framework**

Provision of technical assistance to carry out a financial and commercial assessment of the Kamarata 1 HPP and prepare a financing plan based on such assessment.

#### **Part 4. Project implementation support and capacity building**

Supporting: (i) the PMO in Project implementation, including financial management, monitoring and evaluation, environmental and social management, audits, through provision of consultants, Operating Costs and Training; and (ii) knowledge-sharing activities on large hydropower plant financing and contractual arrangements among potential investors and power off-takers.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Recipient, through MoE, shall establish, and thereafter maintain throughout the implementation of the Project, a Project Coordination Committee for ensuring cross-agency coordination, with mandates, functions, responsibilities, and resources, all as further described in the POM and acceptable to the Association.
2. The Recipient, through the MoE, shall be responsible for overall Project implementation and shall establish and thereafter maintain throughout Project implementation a Project Management Office (PMO) to be responsible for performing key project management functions, including coordination, fiduciary, monitoring and evaluation, social and environmental standards management and reporting functions, with mandates, functions, responsibilities, structures, resources and staff, all as further described in the POM and satisfactory to the Association. To this end and without limitation to the generality of the foregoing, the PMO shall include a director, a procurement specialist, a financial management specialist, a monitoring and evaluation specialist, an occupational and health safety specialist, an environmental specialist and a social specialist, all with qualifications, experience and terms of reference satisfactory to the Association.
3. The Recipient, through the MoE, shall maintain throughout Project implementation, an independent environmental and social panel of experts to support the preparation of environmental and social instruments for the Kamarata 1 HPP, with experts with qualifications, experience and terms of reference satisfactory to the Association.
4. The Recipient, through the MoE, shall maintain throughout Project implementation, an independent dam safety panel of experts to advise on matters related to dam safety for the Kamarata 1 HPP, with experts with qualifications, experience and terms of reference satisfactory to the Association.

##### B. Project Manual

1. The Recipient, through MoE, shall update the POM, satisfactory to the Association, and thereafter adopt it and ensure that the Project is carried out in accordance with the POM, setting forth rules, methods, guidelines, and procedures for the carrying out of the Project, including, *inter alia*:
  - (a) detailed description of Project and institutional arrangements for implementing the Project (including the roles and responsibilities and communication channels and modes between the PMO and beneficiary state agencies and entities);
  - (b) monitoring, evaluation, reporting, and governance procedures for the Project; and

- (c) overall disbursement, financial management, reporting, planning, budgeting, internal controls, flow of funds, auditing and procurement procedures for the Project.
- 2. In the event that any provision of the Project Manual shall conflict with any provision of this Agreement, the provisions of this Agreement shall prevail.
- 3. The Recipient, through MoE, shall ensure that the Project Manual is not amended without the prior written agreement of the Association.

**C. Environmental and Social Standards.**

- 1. The Recipient shall 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 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 ensure that:
  - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
  - (b) sufficient funds are available to cover the costs of implementing the ESCP;
  - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
  - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
- 3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- 4. The Recipient shall ensure that:
  - (a) all measures necessary are taken 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 environmental and social 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) the Association is promptly notified of any incident or accident related to or having an impact on the Project which have, 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 environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

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

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 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>
Goods, works, consulting services, non-consulting services, Operating Costs and Training under the Project	11,000,000	100%
<b>TOTAL AMOUNT</b>	11,000,000	

**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 Signature Date, except that withdrawals up to an aggregate amount not to exceed \$2,200,000 may be made for payments made prior to this date but on or after the date twelve months prior to the Signature Date, for Eligible Expenditures.
2. The Closing Date is December 31, 2027.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each January 15 and July 15:	
commencing July 15, 2034, to and including January 15, 2074	<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. “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.
2. “Basis Adjustment to the Service Charge” means the Association’s standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed as a percentage per annum.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Dam Safety Plans” means the plans for dam safety specified in the ESCP.
5. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated May 27, 2024, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
6. “Environmental and Social Impact Assessment” or the acronym “ESIA” means the environmental and social impact assessment for the Kambarata 1 HPP specified in the ESCP.
7. “Environmental and Social Management Plan” or the acronym “ESMP” means the environmental and social management plan for the Kambarata 1 HPP specified in the ESCP.
8. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder

Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.

9. “ESS Instruments” means the ESIA, ESMP, RPF, Kamarata 1 HPP LMP and Dam Safety Plans for the Kamarata 1 HPP prepared and adopted by the Recipient under the Project, including any instruments adopted by the Recipient in accordance with said instruments.
10. “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.
11. “Grant Agreement” means a grant agreement between the Recipient and the Association, acting as administrator for the Central Asia Water and Energy Program - Phase 4 Multi-Donor Trust Fund, providing for a grant to assist in the financing of the Project.
12. “Kamarata 1 HPP” means a large hydropower plant in the Naryn River, at a location 14 km upstream from the Kamarata 2 hydropower plant.
13. “Kamarata 1 HPP Labor Management Procedure” or the acronym “Kamarata 1 HPP LMP” means the labor management procedure for the Kamarata 1 HPP specified in the ESCP.
14. “MoE” means the Ministry of Energy of the Recipient or any successor thereto acceptable to the Association.
15. “Operating Costs” means incremental operating expenditures incurred by the PMO on account of the Project implementation, management, monitoring and evaluation, including salaries of contractual staff (but excluding consultants’ services and salaries of officials of the Recipient’s civil service) and the associated Social Charges, office rent, minor office repair works, 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 and other reasonable expenditures directly associated with implementation of the Project activities, all based on an annual budget acceptable to the Association.
16. “Original Financing Agreement” means the financing agreement for the Technical Assistance for Kamarata 1 Hydropower Plant Project between the Recipient and the International Development Association, dated November 14, 2023.
17. “Original Project” means the Project described in the Original Financing Agreement.
18. “Project Coordination Committee” means the committee to be responsible for inter-agency coordination, as described in Section I.A.1 of Schedule 2 to this Agreement.
19. “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.

20. “Project Management Office” and the acronym “PMO” means a project management office under MoE referred to in Section I.A.2 of Schedule 2 to this Agreement.
21. “Project Operations Manual” and the acronym “POM” means the updated project operations manual referred to in Section I.B.1 of Schedule 2 to this Agreement.
22. “Resettlement Policy Framework” or the acronym “RPF” means the resettlement policy framework for the Kambarata 1 HPP satisfactory to the Association, prepared and adopted by the Recipient, and referenced in the ESCP.
23. “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.
24. “Social Charges” means any payments, *premia*, or contributions for health benefits, unemployment benefits, disability insurance, workers’ compensation benefits, retirement (pension or social security) benefits, and life insurance, which constitute payment for the drawdown of future benefits to the staff concerned.
25. “Training” means expenditures (other than those for consulting services) incurred 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.

**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.