

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H696-KG

Financing Agreement

(Additional Financing for Disaster Hazard Mitigation Project)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 4, 2011

GRANT NUMBER H696-KG

FINANCING AGREEMENT

Agreement dated August 4, 2011, entered into between the KYRGYZ REPUBLIC (“Recipient”) and the 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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to seven hundred thousand Special Drawing Rights (SDR 700,000) (“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 IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are April 15 and October 15 in each year.
- 2.05. The Payment Currency is United States Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MES in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, the Project Operational Manual shall have been amended, suspended, abrogated or waived without the Association's prior consent.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, the Project Operational Manual has been revised for the purposes of this Additional Financing, satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. For purposes of Section 8.05 (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 date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Minister of Finance.
- 6.02. The Recipient's Address is:

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

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

6.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Bishkek, Kyrgyz Republic, as of the day and year first above written.

KYRGYZ REPUBLIC

By /s/ Melis Mambetjanov

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Dinara Djoldosheva

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in: (a) minimizing the exposure of humans, livestock, and riverine flora and fauna to radionuclides associated with abandoned uranium mine tailings and waste rock dumps in the Mailuu-Suu area; (b) improving the effectiveness of emergency management and response by national and sub-national authorities and local communities to disaster situations; and (c) reducing the potential loss of life and property in key landslide areas of the country.

The Project consists of Parts A and C of the Original Project, with modifications to said Parts A and C to read as follows:

“Part A: Uranium Mining Wastes Isolation and Protection

1. Unloading of unstable top of “Tectonic triangle” landslide to reduce risk of impact on Tailing Number 3.
2. Tailings and waste dumps inspection and rehabilitation, including improving surface drainage around tailing and waste dump areas, measures to reduce radiological exposure from tailings and waste dumps, and moving of two small waste dumps.
3. Implementation of a surface water drainage system around the boundary of Koi-Tash landslide to capture and remove water runoff to reduce risk of reactivation.
4. Installation on top of Tectonic and Koi-Tash landslides of monitoring and warning systems, including a global positioning system, piezometers, extensometers, and seismic monitoring stations, and linkage to central early warning systems in Mailuu-Suu and surrounding villages.
5. Implementation of protection systems to prevent erosion of tailings along selected sections of Mailuu-Suu and Alympa-Say rivers.
6. Carrying out the priority activities with regard to tailings and landslides, as determined by the feasibility and design study of a Panel of Experts on options for a long-term solution at Mailuu-Suu, and the provision of financing for said Panel of Experts.
7. Carrying out the rehabilitation of road infrastructure damaged by floods to transport radio-active materials from Mine Tailing Number 3 and Mine Tailing Number 18 to the new disposal site at Mine Tailing Number 6, as well as carrying out civil works for the relocation of radioactive waste rock discovered during Project implementation from Waste Dump Number 1 to Waste Dump Number 2, and strengthening the local laboratory capacity to measure uranium in water.”

“Part C: Project Management Support

Provision of technical assistance to the Recipient for project management, monitoring and evaluation, as well as for strengthening the PIU’s Project implementation and management capacity through the financing of training, equipment, rehabilitation of the Project offices in Bishkek, Osh, Jalal Abad and Mailuu-Suu, Incremental Operating Costs and audit, and salaries of professional staff of PIU, including a technical assistance management consultant.”

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through MES, shall implement the Project in accordance with the provisions of the Project Operational Manual, EIA, EMP(s), the Resettlement Policy Framework and the Resettlement Action Plan(s).
2. The Recipient shall ensure that MES maintains the PIU during execution of the Project, with staffing and resources adequate to enable the PIU to implement the Project effectively.
3. The Recipient, through MES, shall ensure that any training or study tour for the Project shall be carried out in accordance with an annual training plan to be prepared by the PIU which shall have been approved by the Association prior to its implementation.
4. The Recipient, through MES, shall maintain, throughout the implementation of this Project, the National Emergency Management Committee established under the Original Project with membership from relevant ministries and agencies involved in disaster emergency management and response in a manner and under terms of reference satisfactory to the Association, and shall assign to it the responsibility for overseeing the Project implementation and resolving any issue related to inter-governmental agency coordination of the Project activities.
5. The Recipient, through MES, shall ensure that any activity under Part A of the Project shall be carried out with due diligence and efficiency under the supervision of qualified and experienced management, assisted by competent PIU staff in adequate numbers, satisfactory to Association, and in accordance with appropriate administrative, financial, technical, and engineering standards, satisfactory to the Association.
6. The Recipient, through MES, shall ensure that the representatives of the Association, if the Association shall so request, will have access to, and may inspect, if necessary, the Project sites, works, plants, goods and constructions under the Project, the operation thereof, and Project relevant records and documents.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The Recipient shall: (i) not carry out any civil works for the Project on those sites where land acquisition or resettlement of residents is required to proceed with Project activities, unless and until the Recipient shall prepare, disclose and publish a Resettlement Action Plan for such sites, in accordance with the Resettlement Policy Framework and satisfactory to the Association; and (ii) carry out any resettlement or land acquisition with due care and in accordance with the Recipient's applicable legal and institutional framework, and with a respective Resettlement Action Plan.
2. The Recipient shall ensure that all necessary measures for the carrying out of EIA, EMP(s), the Resettlement Policy Framework and the Resettlement Action Plan(s) shall be taken in a timely manner.
3. The Recipient, through MES, shall not amend, suspend, abrogate, repeal or waive any provision of the Project Operational Manual, EIA, EMP(s), the Resettlement Policy Framework and/or the Resettlement Action Plan, without prior approval of the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>	
(a)	Limited International Bidding
(b)	National Competitive Bidding , subject to the following provisions: 1. The eligibility of bidders shall be as defined under Section I of the Guidelines Procurement under IBRD Loans and IDA credits; 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 Guidelines Procurement under IBRD Loans and IDA credits. Exclusion from participation as a result of debarment should result

Procurement Method

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 Recipient's Public Procurement Law.

11. No bids shall be rejected solely because they exceed the estimated price. Bids can be cancelled and new bids invited, only if the conditions of clause 2.62 of the Guidelines Procurement under IBRD Loans and IDA credits, 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.

<u>Procurement Method</u>	
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.
(c)	Shopping
(d)	Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<u>Procurement Method</u>	
(a)	Quality-Based Selection
(b)	Selection Under a Fixed Budget
(c)	Least Cost Selection
(d)	Selection Based on the Consultants' Qualifications
(e)	Single-Source Selection
(f)	Procedures set forth in paragraphs 5.2, 5.3 and 5.4 of the Consultant Guidelines for the Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Works for: (a) Parts A.1, A.2, A.3, A.4, A.5 and A.7 of the Project (b) Part A.6 of the Project	190,000 390,000	85% 85%
(2) Goods	10,000	100%
(3) Consultants' services, including audit	50,000	85% of expenditures for services of consultants domiciled within the territory of the Recipient, 100% of eligible social charges for such consultants and

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
		72% of foreign expenditures for services of other consultants
(4) Training	10,000	100%
(5) Operating Costs	50,000	100% of eligible social charges and 85% of other expenditures
TOTAL AMOUNT	<u>700,000</u>	

For the purposes of this Schedule:

(a) the term “eligible 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 PIU staff concerned;

(b) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

(c) the term “local expenditures” means expenditures in the currency of the Recipient for goods or services supplied from the territory of the Recipient;

(d) the term “operating costs” means the incremental expenses incurred by the PIU on account of the Project implementation such as the costs of communication, printing and publications, translation, supplies, vehicle operation and maintenance, bank charges, local travel costs and field trip expenses, remuneration for PIU support staff, social charges, the costs of operation and maintenance of ERC’s equipment, and such other reasonable expenditures as may be agreed upon by the Association, but excluding salaries of staff of the Recipient’s civil service, all based on an annual budget to be prepared by the PIU which shall have been approved by the Association; and

(e) the term “training” means expenditures incurred on account of Project related study tours, training courses, seminars, workshops and other training activities, including travel and per diem costs of trainees and trainers.

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 March 31, 2012.

APPENDIX

Section I. Definitions

1. “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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in May 2004, and revised in October 2006 and May 2010.
4. “EIA” means the environmental impact assessment carried out for the purposes of the Original Project, and updated and re-disclosed for the purposes of this Additional Financing, referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement, addressing environmental risks relating to the Project, as well as setting forth the mitigation, monitoring and institutional measures to manage the risks.
5. “EMP” means the site-specific documents prepared by the Recipient pursuant to EIA and paragraph 1 of Section I.A of Schedule 2 to this Agreement, and satisfactory to the Association, in respect of works to be undertaken by the Recipient under the Project defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities under the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with the Association’s prior written approval.
6. “ERC” means the Emergency Response Center maintained by the Recipient and referred to in paragraph A.2 (d) of Section IV of Schedule 2 to this Agreement.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
8. “MES” means the Recipient’s Ministry of Emergency Situations or any successor thereto.

9. “National Emergency Management Committee” means the committee to be established by the Recipient and referred to in paragraph 4 of Section I.A of Schedule 2 to this Agreement.
10. “Original Development Grant Agreement” means the development grant agreement for the Disaster Hazard Mitigation Project between the Recipient and the Association, dated July 23, 2004, as amended to the date of this Agreement (IDA Grant Number H096-KG).
11. “Original Project” means the Project described in the Original Development Grant Agreement.
12. “Panel of Experts” means the panel of independent experts to be established and maintained by the Recipient and referred to in Part A.6 of the Project.
13. “PIU” means the Project Implementation Unit within MES responsible for the overall implementation, management and coordination of the Project, or any successor thereto.
14. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in May 2004, and revised in October 2006 and May 2010.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 29, 2011, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. “Project Operational Manual” means the project operational manual adopted by the Recipient under the Original Project.
17. “Resettlement Action Plan” or “RAP” means the resettlement action plan(s) to be prepared by MES pursuant to paragraph 1 of Section I.C of Schedule 2 to this Agreement.
18. “Resettlement Policy Framework” means the resettlement policy framework prepared and disclosed by the Project Implementing Entity on January 25, 2011, pursuant to paragraph 1 of Section I.C of Schedule 2 to this Agreement defining the modalities for acquiring and allocating land, resettlement and rehabilitation of displaced persons.