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CREDIT NUMBER 4934-KG
GRANT NUMBER H678-KG

Financing Agreement

(Central Asia Hydrometeorology Modernization Project)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 23, 2011

CREDIT NUMBER 4934-KY
GRANT NUMBER H678-KY

FINANCING AGREEMENT

AGREEMENT dated August 23, 2011, entered into between KYRGYZ REPUBLIC (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) 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 and a credit (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
 - (a) an amount equivalent to six hundred thousand Special Drawing Rights (SDR 600,000) (“Grant”); and
 - (b) an amount equivalent to three million three hundred thousand Special Drawing Rights (SDR 3,300,000) (“Credit”).
- 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Part 2 of the Project through Kyrgyzhydromet 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) the Project Operations Manual, satisfactory to the Association has been adopted by the Recipient;
 - (b) the PCU, shall have selected and engaged the services of a procurement specialist under terms of reference satisfactory to the Association; and
 - (c) the Project accounting system satisfactory to the Association is in place, with adequate in-built controls and capable of tracking Project resources and expenditures and generating financial reports, including interim financial reports (IFRs).
- 4.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.
- 4.03. 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 years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is its Minister of Finance.

5.02. 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

5.03. 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 improve the accuracy and timeliness of the hydrometeorology services in Central Asia, with particular focus on Kyrgyz Republic and Republic of Tajikistan.

The Project consists of the following parts:

Part 1. Strengthening Regional Coordination and Information Sharing.

Provision of goods (including related installation services), consultants' services and training to:

- (a) improve the technical and organizational capacity of the EC-IFAS and the RCH to coordinate the work of the National Hydrometeorological Services and to promote information receiving, storage and exchange among the National Hydrometeorological Services;
- (b) improve the regional system of training, re-training, and professional development in the field of meteorology, hydrology and climate;
- (c) improve the provision of hydrometeorological services by the National Hydrometeorological Services through: (i) improved early warning systems for extreme events; and (ii) improved weather and river flow forecasting and climate change assessment systems with access to, and use of, global and regional numerical weather prediction products; and
- (d) support implementation of Part 1 of the Project and ensure full coordination of activities under Part 1 of the Project and of those in Part 2 and Part 3 of the Project.

Part 2. Strengthening of Hydromet Services in Kyrgyz Republic.

Provision of goods (including related installation services), consultants' services and training to:

- (a) strengthen the institutional capacity of Kyrgyzhydromet, including improvement of its human resources and its financial sustainability model through: (i) technical support and training of Kyrgyzhydromet staff; (ii) development and testing of an appropriate business model for the delivery of commercial weather, climate and hydrological services in the Kyrgyz Republic; and (iii) revising the scientific methodological basis of the Kyrgyzhydromet operations to World Meteorological Organization standards;

- (b) improve the hydrometeorological observation networks to provide more timely extreme and hazardous weather warnings and a more efficient national water resources management system through: (i) equipment restoration and improvement for hydrological, agrometeorological and snow-avalanche observation; (ii) establishment, refurbishment and/or technical enhancement of national centers for meteorological data collection; and (iii) development of forecasting systems;
- (c) enhance the service delivery system of Kyrgyzhydromet through: (i) development of improved services provided by Kyrgyzhydromet including expanded user access to informational products; and (ii) specialized training to staff involved in service delivery; and
- (d) support implementation of Part 2 of the Project.

Part 3. Strengthening of Hydromet Services in Republic of Tajikistan.

Provision of goods (including related installation services), consultants' services and training to:

- (a) strengthen the institutional capacity of Tajikhydromet, including improvement of its human resources and its financial sustainability model through: (i) technical support and training of Tajikhydromet staff; (ii) development and testing of an appropriate business model for the delivery of commercial weather, climate and hydrological services in the Republic of Tajikistan; and (iii) revising the scientific methodological basis of the Tajikhydromet operations to World Meteorological Organization standards;
- (b) improve the hydrometeorological observation networks to provide: (i) more timely extreme and hazardous weather warnings; and (ii) a more efficient national water resources management system through: (A) equipment restoration and improvement for hydrological, agrometeorological and snow-avalanche observation; (B) establishment, refurbishment and/or technical enhancement of national centers for meteorological data collection; and (C) development of forecasting systems;
- (c) enhance the service delivery system of Tajikhydromet through: (i) development of improved services provided by Tajikhydromet including expanded user access to informational products; and (ii) specialized training to staff involved in service delivery; and
- (d) support implementation of Part 3 of the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient, through Kyrgyzhydromet shall carry out Part 2 of the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Project Operations Manual, and shall not assign, amend, abrogate or waive any provisions of the Project Operations Manual without prior approval of the Association.
2. The Recipient shall maintain the PCU within Kyrgyzhydromet throughout the duration of the Project with organization, resources, staffing and terms of reference at all times satisfactory to the Association.
3. The Recipient shall maintain the Project Management Committee throughout the life of the Project in accordance with the provisions set forth in the Project Operations Manual.
4. Kyrgyzhydromet, through its financial and accounting unit, shall have overall responsibility for financial management and disbursement functions.
5. A systems integrator will be engaged under Part 1 of the Project to facilitate design, implementation and supervision activities of the Project.
6. The Recipient shall cause the Project Management Committee and the PCU to coordinate and collaborate with the PMU for implementation of Part 1 of the Project, in accordance with the provisions set forth in the Project Operations Manual.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) 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 indicators acceptable to the Association. Each Project Report shall cover the period of one

calendar semester, and shall be furnished to the Association not later than forty five days 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. The Recipient shall prepare and furnish to the Association not later than forty five 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. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Non-consulting Services.** All goods 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 and Non-consulting Services

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

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

<u>Procurement Method</u>
(a) National Competitive Bidding, subject to the additional provisions set forth in the Attachment to this Schedule 2
(b) Shopping
(c) 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 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 Credit and of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services (including related installation services), consultants’ services, Incremental Operating Costs, and Training for Part 2 of the Project	3,300,000	600,000	100%
TOTAL AMOUNT	3,300,000	600,000	

For the purpose of this table:

- (a) “Incremental Operating Costs” means the reasonable expenditures incurred for the implementation of the Project by the PCU on account of office rental, utility charges, transportation, office supplies, maintenance and minor refurbishing of office and equipment, photocopying, translation, printing, advertisements, banking charges, communication services, support for information systems, travel costs, including accommodation and *per diem*, and contractual support staff excluding salaries of officials of the Recipient’s civil service; and
- (b) “Training” means Project related 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, local travel, *per diem* costs of trainees and trainers’ fees, and interpretation and translation services.

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 August 31, 2016.

**Attachment
to
SCHEDULE 2**

National Competitive Bidding procedures of the Kyrgyz Republic may be used for procurement of goods under Part 2 of the Project provided that the following provisions are complied with:

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 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 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.
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.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15:	
commencing on August 15, 2021 to and including February 15, 2031	1%
commencing on August 15, 2031 to and including February 15, 2051	2%

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

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. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004, and revised in October 2006 and May 2010.
3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
4. “Kyrgyzhydromet” means the Agency on Hydrometeorology (Kyrgyzhydromet) established under the Ministry of Emergency Situations of the Recipient and functioning pursuant to Regulation No. 130 approved by the Government of the Kyrgyz Republic on March 5, 2010, in charge of implementing Part 2 of the Project.
5. “National Hydrometeorological Services” means, collectively, one or more of, the entities in charge of developing and providing national hydrometeorological services for and in each of the Kyrgyz Republic (through Kyrgyzhydromet), the Republic of Kazakhstan, the Republic of Tajikistan (through Tajikhydromet), and the Republic of Uzbekistan.
6. “PCU” means the Project coordination unit to be established within the Recipient’s Kyrgyzhydromet, responsible for the implementation of Part 2 of the Project.
7. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004, and revised in October 2006 and May 2010.
8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 31, 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.
9. “PMU” means the Project management unit to be established within the EC-IFAS, responsible for the implementation of Part 1 of the Project, including the coordination with the Project Management Committee in each of Kyrgyz Republic and Republic of Tajikistan.

10. “Project Management Committee” means, indistinctively, the individual committee in each of Kyrgyz Republic and Republic of Tajikistan in charge of overall management and coordination of Part 2 and Part 3 of the Project, respectively, and coordination with the PMU.
11. “Project Operations Manual” means the manual, to be adopted by the Recipient pursuant to Section 4.01(a) of this Agreement, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of Part 2 of the Project, including a manual of financial management procedures that sets out procedures for Project accounting, reporting and audit, disbursements, flow of funds and management of the designated account, as the same may be amended from time to time with the agreement of the Association.
12. “RCH” means the Regional Center of Hydrology, established and functioning pursuant to the Decision of the Board of the International Fund for Saving the Aral Seas (IFAS), dated August 23, 2002, on the Establishment of the Regional Center of Hydrology (RCH), and the Regulations of the Regional Center of Hydrology, as adopted by Decision of the Board of IFAS dated March 27, 2004 (#5 on the adoption of the Regulations on the IFAS Regional Center of Hydrology).
13. “Tajikhydromet” means the State Institution for Hydrometeorology of the Committee on Environmental Protection under the Government of the Republic of Tajikistan, established by Resolution 458 dated October 1, 2008 of the Government of Republic of Tajikistan, in charge of implementing Part 3 of the Project.