

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street N.W.
Washington, D.C. 20433
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February 21, 2011

H.E. Mr. M. Mambetjanov
Minister of Finance
Ministry of Finance
58 Erkindik Blvd.
Bishkek City, 720040
Kyrgyz Republic

**Re: Kyrgyz Republic: Second Year Allocation of the Education For
All Fast Track Initiative (EFA-FTI) Catalytic Trust Fund Project
(FTI-2 Grant No. TF098844)**

Excellency:

In response to the request for financial assistance made on behalf of the Kyrgyz Republic (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”), acting as administrator of grant funds provided under the EFA-FTI Catalytic Trust Fund (FTI-2), proposes to extend to the Recipient, a grant in an amount not to exceed Six Million United States Dollars (US\$6,000,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as specified in Section 4.01 of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of

signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Motoo Konishi
Regional Director, Central Asia
Authorized Representative

AGREED:

Kyrgyz Republic

By: M. Mambetjanov
Authorized Representative

Title: Minister of Finance

Date: March 23, 2011

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
- (2) Disbursement Letter dated February 21, 2011, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

Fast Track Initiative Catalytic Trust Fund-2 Grant No. TF098844
ANNEX

Article I

Standard Conditions; Definitions

1.01. *Standard Conditions.* The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. *Definitions.* Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following additional terms shall have the meaning assigned to them below:

- a. **“Additional Condition of Effectiveness”** means any condition of effectiveness specified in Section 4.01 of this Agreement.
- b. **“Implementation Steering Committee”** means the Implementation Steering Committee for this Project established pursuant to Ministerial Order No. 653/1 of November 27, 2007 and chaired by the Recipient’s Deputy Minister of Education and Science, having as its members, representatives of the donor community, heads of departments of the Ministry of Education and Science and the Director and specialists from the Project Implementation Unit, or any successor body or person to said committee.
- c. **“International Advisory Council on Education”** means the Recipient’s International Advisory Council on Education established within the Ministry of Education and Science and chaired by the Recipient’s Vice Prime Minister of Social Affairs, having as its members, representatives of the donor community and representatives from the Recipient’s Government, or any successor body or person to said council.
- d. **“Ministry of Education and Science”** means the Recipient’s Ministry of Education and Science, or any successor thereto.
- e. **“Project Implementation Unit”** means the Project Implementation Unit for this Project established under the World Bank’s Rural Education Project (IDA Grant No. H137-KG) in 2004 within the Ministry of Education and Science, or any successor thereto.
- f. **“Project Operational Manual”** means the project operational manual of the Recipient, in form and substance satisfactory to the World Bank, for the Project setting out the procedures to be followed by the Recipient and the Project Implementation Unit in relation to the implementation of the Project.

Article II

Project Execution

2.01. ***Project Objectives and Description.*** The objective of the Project is to support the Recipient's introduction of the national school preparation program for a smooth transition to school for children between the ages of five (5) and six (6) years. The Project consists of the following three (3) Parts:

Part 1: Quality Enhancement of the School Preparation Program.

(a) Provision of training, knowledge and skills to primary school teachers in preschool pedagogies.

(b) Facilitating the application of acquired knowledge and skills in the classroom through training of regional education department methodologists in mentoring as well as the provision of mentoring to trained teachers.

Part 2: Improving the Learning Environment.

(a) Provision to all schools nationwide of a standard package of learning and teaching materials, including developmental games, reading books, visual aids and methodological materials to support the school preparation program.

(b) Provision to all schools in the four (4) identified oblasts, namely, Osh, Jalal-Abad, Talas and Issyk-Kul, of tables and chairs for teachers and students, blackboards and storage shelves or cupboards.

Part 3: Policy and Implementation Support.

(a) Contributing to policy development for the national school preparatory course, including public awareness and advocacy initiatives to inform and orientate parents to the importance of sending their children to preparatory programs.

(b) Carrying out knowledge sharing activities in relation to the Project.

(c) Provision of support for overall management and coordination of the Project, carrying out of fiduciary responsibilities as well as the carrying out of procurement, financial reporting and accounting activities including Project audit, and other reporting for the Project.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Project Implementation Unit in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); (c) the Project Operational Manual and (d) this Article II.

2.03. ***Institutional and Other Arrangements.*** (a) The Recipient shall: (i) carry out the Project through the Project Implementation Unit, with due diligence and efficiency; (ii) promptly provide the funds, facilities, services and other resources required for that purpose to the Project Implementation Unit; (iii) furnish, or cause the Project Implementation Unit to furnish, all information regarding the Project and the use of the proceeds of the Grant as the World Bank shall reasonably request; and (iv) from time to time exchange information and discuss, or cause the Project Implementation Unit to exchange information and discuss, with the World Bank's representatives the progress and results of the Project.

(b) The Implementation Steering Committee will provide strategic guidance and oversight to the Project Implementation Unit and shall also assist the Project Implementation Unit as required with planning, implementation and provision of timely inputs on the Project. The Implementation

Steering Committee will report to the International Advisory Council on Education, at its request, on the progress of the Project.

(c) The Recipient shall maintain, until the completion of the Project, the Project Implementation Unit with personnel, resources and terms of reference as shall be required for the Project Implementation Unit to perform its duties in respect to the day-to-day implementation of the Project. The Project Implementation Unit shall carry out the Project in close co-operation with the United Nations Children's Fund and local entities, including the Kyrgyz Academy of Education, the Regional Education Department, regional teacher training institutes, and oblast-level staff of methodological centers.

(d) The Project Operational Manual shall contain detailed procedures for the carrying out project implementation and shall be in a form and content satisfactory to the Bank. The Project Operational Manual shall not be amended, waived or abrogated without the approval of the World Bank.

2.04. **Donor Visit.** For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the donors to FTI-2 to visit any part of the Recipient's territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank. Each Project Report shall cover the period of six (6) calendar months, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than three (3) months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar semester, covering six (6) months, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. The first such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient and the last such audit shall be upon the completion of the Project. The audited Financial Statements for each period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. **Procurement**

(a) General. All goods, and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and services shall be procured under contracts awarded on the basis of International Competitive Bidding. The provisions of Paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient.

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

- (A) Shopping; and
- (B) Direct Contracting.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; and (E) Single-source Selection and (F) Selection of Individual Consultants, including Sole Source Selection.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD, and inclusive of price and cost contingencies)	Percentage of Expenditures to be Financed
(1) Goods, Training, Operating Costs	5,028,158	100%
(2) Consultants’ services, including audits	971,842	100% of Local Expenditures; and 90% of Foreign Expenditures
Total	<u>6,000,000</u>	

For purposes of this Section 3.01, the following terms shall have the meanings assigned to them below:

(a) “**Operating Costs**” shall mean the expenses incurred by the Recipient and/or the Project Implementation Unit for the incremental expenses on account of Project implementation, management, monitoring, including, inter alia, office space rental, utilities, supplies, communications, maintenance costs, advertising expenses, bank charges, travel and per diems for employees of the Project Implementation Unit, salaries of contractual and temporary staff, but excluding any statutory contributions by employers to any social fund as well as salaries of officials and/or employees of the Recipient’s civil service.

(b) “**Training**” shall mean the expenses incurred by the Recipient and/or the Project Implementation Unit in connection with study tours, training courses, seminars, workshops and other training-related activities under the Project including, inter alia, travel costs and per diem for participants, trainers and trainees, trainers’ fees, rental of training facilities, preparation and reproduction of training materials and other activities incidental to the preparation and implementation of training activities.

(c) “**Foreign Expenditure**” means expenditure in the currency of any country other than that of the Recipient for consultants’ services supplied from the territory of any country other than that of the Recipient.

(d) “**Local Expenditure**” means expenditure in the currency of the Recipient for consultants' services supplied from the territory of the Recipient provided, however, that if the currency of the Recipient is also that of another country from the territory of which consultants' services are supplied, an expenditure in such currency for such consultants' services shall be deemed to be a Foreign Expenditure.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient except that withdrawals up to an aggregate amount not to exceed One Million Two Hundred Thousand United States Dollars (US\$1,200,000) equivalent may be made for payments made prior to this date but on or after December 1, 2010, for Eligible Expenditures.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is August 31, 2012.

Article IV Effectiveness; Termination

4.01. **Effectiveness.** The Additional Condition of Effectiveness consists of the following, namely, the Project Operational Manual in form and substance acceptable to the World Bank, has been furnished by the Recipient to the World Bank.

4.02. **Termination for Failure to Become Effective.** This Agreement and all obligations of the Parties under it shall terminate if it has not entered into effect within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V Recipient's Representative; Addresses

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

5.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

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

Telex:

245-156 NUR KH

Facsimile:

(996-312) 661645

5.03. ***World Bank's Address.*** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
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