

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF095309

Global Environment Facility
Grant Agreement

(Tien Shan Ecosystem Development Project)

between

KYRGYZ REPUBLIC

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

(acting as an Implementing Agency of the Global Environment Facility)

Dated July 8, 2010

GEF TRUST FUND GRANT NUMBER TF095309

**GLOBAL ENVIRONMENT FACILITY
GRANT AGREEMENT**

AGREEMENT dated July 8, 2010, entered into between the KYRGYZ REPUBLIC (“Recipient”) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as an implementing agency of the Global Environment Facility (“GEF”).

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), 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 Standard Conditions or in this Agreement, and the additional terms wherever used in this Agreement have the following meanings:
 - (a) “Access Restriction Policy and Process Framework” means the Access Restriction Process Framework for the Project, adopted by the Recipient on February 10, 2009, and satisfactory to the World Bank, to guide the mitigation of potential negative impacts on the livelihoods on populations resident near Tien Shan region, as the same may be modified from time to time by agreement between the Recipient and the World Bank;
 - (b) “Co-financier” means IFAD, the financier (other than the World Bank or the International Development Association), providing the Co-financing;
 - (c) “Co-financing” means an amount of eight million US Dollars (US\$8,000,000) to be provided by the Co-financier to assist in financing the Project;
 - (d) “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing;

- (e) “Co-financing Deadline” means the date referred to in Section 4.02 of this Agreement by which the Co-financing Agreement is to become effective;
- (f) “Environmental and Social Assessment” means the Recipient’s environmental and social assessment of the Project, dated February 25, 2009, which sets forth measures to identify, avoid and mitigate potential negative environmental impacts associated with the Project;
- (g) “Environmental and Social Management Plan” means the Recipient’s environmental and social management plan for the Project, dated February 25, 2009, as such plan may be updated from time to time in agreement with the World Bank, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental, natural habitats and cultural property impacts to levels acceptable to the World Bank;
- (h) “FHC” means the State Agency of Forestry and Hunting Committee of the Republic of Kazakhstan, or any successor thereto;
- (i) “IFAD” means the International Fund for Agricultural Development, or its successor;
- (j) “Kazakhstan GEF Agreement” means the GEF Trust Fund Grant Agreement between the Republic of Kazakhstan and the World Bank, and dated the same date as this Agreement;
- (k) “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 12, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same may be updated from time to time in agreement with the World Bank;
- (l) “Project Operational Manual” means the Recipient’s project operational manual for carrying out Project activities, as the same may be updated from time to time in agreement with the World Bank;
- (m) “Protected Area” means a Recipient’s area with established boundaries for the protection of landscape and/or biodiversity;
- (n) “Protected Area Management Plan” means a plan prepared by the Recipient, containing a set of management objectives and strategies, agreed to and approved by the World Bank, for managing a Protected

Area, as the same may be updated from time to time in agreement with the World Bank;

- (o) “SAEPF” means the Recipient’s State Agency of Environmental Protection and Forestry established pursuant to the Decree of the President of the Kyrgyz Republic, No. 96 of March 16, 2007, or any successor thereto; and
- (p) “Training” means training activities (other than consultants’ services) to be carried out under the Project, as approved by the World Bank on the basis of annual training and study tour plans acceptable to the World Bank, including the reasonable and necessary local and international travel and visa expenses incurred by participants in training workshops, as well as lodging, subsistence, local and international per diem allowances according to the guidelines of the Recipient, registration, tuition and facilitators’ fees, minor organizational expenses (including costs of stationery, handouts and training materials), translation and interpretation costs, facility rental costs, and other expenses directly relating to the training workshop and study tour activity, as may be agreed with the World Bank.

Article II The Project

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient, through SAEPF, shall carry out the Project, in accordance with the provisions of Article II of the Standard Conditions and the provisions of the Convention on Biological Diversity 1992.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III The Grant

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to one million US Dollars (\$1,000,000) (“Grant”) to assist in financing Parts A and C of the Project.

- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The 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, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV Additional Remedies

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following:
- (a) The World Bank has suspended in whole or in part the right of the Republic of Kazakhstan to make withdrawals under the Kazakhstan GEF Agreement, because of a failure by the Republic of Kazakhstan to perform any of its obligations under such Agreement.
 - (b)
 - (i) The agreement (“Co-financing Agreement”) between the Recipient and IFAD (“Co-financier”) providing for financing in an amount equivalent to US\$8,000,000 (“Co-financing”) to assist in financing the Project, has failed to become effective by the Effective Date, or such later date as the World Bank has established by notice to the Recipient; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that adequate funds for the Project are available from other sources on terms and conditions consistent with its obligations under this Agreement.
 - (ii) Subject to sub-paragraph (iii) of this paragraph: (A) the right to withdraw the proceeds of the Co-financing has been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Co-financing Agreement; or (B) the Co-financing has become due and payable prior to its agreed maturity.
 - (iii) Sub-paragraph (ii) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that: (A) such suspension, cancellation, termination or prematuring was not caused by the failure of the recipient of the Co-financing to perform any of its obligations under the Co-financing Agreement; and (B) adequate funds for the Project are available from other sources on terms and conditions consistent with the Recipient’s obligations under this Agreement.

- (c) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant account if this Agreement had been effective on the date such event occurred.
- 4.02. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is the date ninety (90) days after the date of said Co-financing Agreement.

Article V
Effectiveness; Termination

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.
- (a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.
 - (b) The Project Operational Manual, satisfactory to the World Bank, has been furnished by the Recipient to the World Bank.
 - (c) The Kazakhstan GEF Agreement has been executed and delivered and all conditions precedent to its effectiveness, except only the effectiveness of this GEF Agreement between the Recipient and the World Bank, have been fulfilled.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01(a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing that, on behalf of the Recipient, this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.
- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the

World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

- 5.04. *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 by the date 90 days after the date of this Agreement, 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 VI
Recipient's Representative; Addresses

- 6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.
- 6.02. 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

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

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

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

KYRGYZ REPUBLIC

By /s/ Temir Sariev

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
(acting as an Implementing Agency of the
Global Environment Facility)

By /s/ Dinara Djoldosheva

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in improving ecosystem management and sustainable forestry in the Tien Shan region of the Recipient.

The Project consists of the following parts:

Part A: Strengthening Biodiversity Conservation in Protected Areas and Productive Landscapes

Strengthening biodiversity conservation in the Tien Shan region of the Recipient by building the Recipient's management capacity in protected areas through:

- (i) provision of technical assistance and support to the Recipient for strengthening the management of selected Protected Areas, including the preparation of Protected Area management plans, as well as provision of technical assistance for improving biodiversity monitoring and transboundary management; and provision of equipment and carrying out renovations, upgrades and restorative works to reduce threats to biodiversity in and around Protected Areas; and
- (ii) promoting public awareness of biodiversity conservation as well as promoting sustainable tourism in the Tien Shan Region.

Part B: Forestry and Carbon Trading

- (i) carrying out of afforestation and reforestation activities in the selected sites;
- (ii) provision of technical assistance for validation and monitoring of carbon sequestration; and
- (iii) provision of capacity building and technical support for improved coordination between the Recipient's agencies and the population for natural resources management.

Part C: Project Management

Provision of support for overall management and coordination of the Project, including the preparation and consultations on work plan, the carrying out of fiduciary and safeguard responsibilities as well as the carrying out of procurement, financial reporting and accounting activities.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional arrangements

1. SAEPF shall be responsible for the day-to-day implementation of the Project and for procurement, financial management, disbursement, monitoring, and reporting for the entire Project. To that end, the Recipient shall maintain SAEPF with adequate staff and resources, in a manner satisfactory to the World Bank.

2. SAEPF shall coordinate with FHC in carrying out the Project, in accordance with an agreement, acceptable to the World Bank, to be entered into between SAEPF and FHC prior to the commencement of Project activities under Part A of the Project.

B. Safeguards

1. The Recipient, through SAEPF, shall: (i) carry out the Project in accordance with the provisions of the Project Operational Manual, the Environmental and Social Assessment, the Environmental and Social Management Plan, and the Access Restriction Policy and Process Framework, and shall not amend, suspend, abrogate, repeal or waive any provisions of the Project Operational Manual, the Environmental and Social Assessment, the Environmental and Social Management Plan, the Protected Area Management Plan and the Access Restriction Policy and Process Framework, without prior approval of the World Bank; and (ii) include adequate information on the implementation of the Environmental and Social Management Plan and the Access Restriction Policy and Process Framework in the Project Reports referred to in Section II.A.1 of this Schedule.

2. The Recipient, through SAEPF: (a) shall ensure that all measures identified and described in the Environmental and Social Assessment, the Environmental and Social Management Plan, the Protected Area Management Plan and the Access Restriction Policy and Process Framework are taken in a timely manner; and (b) shall not carry out any forestation works under Part B of the Project on the sites which are under lease or informal use for grazing livestock unless an agreement for alternative sites has been reached with the users of grazing, satisfactory to the World Bank.

3. Prior to the commencement of works under Part A or Part B of the Project, the Recipient, through SAEPF, shall prepare and implement an appropriate Resettlement Action Plan for compensation or resettlement, in accordance with the Access Restriction Policy and Process Framework, to be in form and substance satisfactory to the World Bank.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”).

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient, through SAEPF, 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 indicators agreed with the World Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than forty-five (45) calendar days after the end of the period covered by such report.

2. The Recipient, through SAEPF, 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 six (6) months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient, through SAEPF, shall employ consultants whose qualifications, experience and terms of reference are acceptable to the World Bank.

B. Financial Management; Financial Reports; Audits

1. The Recipient, through SAEPF, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

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

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

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works and consultants 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:

(a) 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 (“Procurement Guidelines”), in the case of goods and works, and 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 (“Consultant Guidelines”) in the case of consultants’ services; and

(b) the provisions of this Section III, 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”).

2. **Definitions.** The capitalized terms used below in 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 Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

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

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

Procurement Method
(a) National Competitive Bidding is 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

Procurement Method

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 World 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 World 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

Procurement Method	
	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 no objection of the World Bank is required for any modifications in the contract scope/conditions during contract implementation.
(b) Shopping	
(c) Force Account	
(d) Direct Contracting	
(e) Community Participation	
Goods, works and services required for Part B of the Project shall be procured in accordance with: (a) the provisions of paragraph 3.17 of the Guidelines; and (b) procedures acceptable to the Association as set forth in the Project Operational Manual.	

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.

Procurement Method
(a) Quality-Based Selection
(b) Least Cost Selection
(c) Selection Based on the Consultants' Qualifications
(d) Selection of Individual Consultants, including Sole-Source Selection
(e) Single-Source Selection

D. Review by the Association 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.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of 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 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 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)	Percentage of Expenditures to be Financed
(1) Goods and works under Part A of the Project	582,000	100%
(2) Consultants' services, including training under Parts A and C of the Project	373,000	100% of local expenditures 90% of foreign expenditures
(3) Unallocated	45,000	
TOTAL AMOUNT	<u>1,000,000</u>	

For the purposes of this paragraph, the term:

(a) "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; and

(b) "local expenditures" means expenditures that are not foreign expenditures.

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 referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2015.