

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H250 KG

Project Agreement

(Second Village Investment Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

**COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY
OF THE KYRGYZ REPUBLIC**

Dated October 3, 2006

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GRANT NUMBER H250 KG

PROJECT AGREEMENT

Agreement dated October 3, 2006, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY OF THE KYRGYZ REPUBLIC (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement of same date between the Kyrgyz Republic (“Recipient”) and the Association (the “Financing Agreement”). The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is 20 years after the date of this Agreement.

ARTICLE IV - REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is its Executive Director.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Community Development and Investment Agency
102 Bokonbaeva Street
Bishkek City
Kyrgyz Republic

Phone:	Facsimile:
(996-312) 62 77 47	(996-312) 62 47 48

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Annette Dixon

Authorized Representative

COMMUNITY DEVELOPMENT AND
INVESTMENT AGENCY OF THE KYRGYZ
REPUBLIC

By: /s/ Zamira Sydykova

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

1. The Project Implementing Entity shall carry out the Project in accordance with the requirements set forth or referred to in the Project implementation plan and the Operational Manual.

2. The Project Implementing Entity shall maintain the Operational Manual in form and content satisfactory to the Association and shall not assign, amend, abrogate or waive the Operational Manual without obtaining the prior approval of the Association. The Operational Manual shall cover, *inter alia*, the following matters: (a) eligibility criteria for Community Grants and Micro-projects; (b) the principles and procedures to be followed for the approval of Community Grants and Micro-projects; (c) regional allocation of the Grant funds; (d) community contribution requirements for Micro-projects; and (e) the indicators to be utilized by the Project Implementing Entity in monitoring the progress of the Project.

3. The Project Implementing Entity shall provide Community Grants to eligible communities on terms and conditions adequate to protect the interests of the Recipient and the Association and accomplish the purposes of the Project, including the following:

(a) a Beneficiary Community shall carry out a Micro-project with due diligence and efficiency and in conformity with appropriate technical, sanitary, financial and environmental practices, to maintain adequate records and to provide, promptly as needed, the funds, facilities and other resources required for a Micro-project in accordance with the principles set forth in the Operational Manual;

(b) a Beneficiary Community shall provide a portion of the cost of a Micro-project, in accordance with the principles set forth in the Operational Manual;

(c) all works, goods and consultant's services to be financed out of the proceeds of a Community Grant shall be procured in accordance with the procedures set forth in Section III of Schedule 2 to the Financing Agreement and in the Operational Manual and shall be used exclusively for the carrying out of Micro-projects and eligible administrative expenditures as set forth in the Operational Manual;

(d) a Beneficiary Community shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of a Community Grant to the place of use or installation, any indemnity hereunder to be made payable in a currency freely usable by a Beneficiary Community to replace or repair such goods;

(e) the Project Implementing Entity shall have the right to inspect, by itself or jointly with representatives of the Association, if the Association shall so request, Micro-project sites, plans, goods and any relevant records and documents; and

(f) the Project Implementing Entity shall have the right to suspend or terminate the right of a Beneficiary Community to use the proceeds of a Community Grant and require the refund of the disbursed amounts, upon failure by such Beneficiary to perform its obligations under a Community Grant Agreement.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 (b) of the General Conditions and on the basis of the indicators agreed with the Association. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later than thirty (30) days after the end of period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than five (5) months for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports; Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, in a manner adequate to reflect both the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

3. The Project Implementing Entity shall:

(a) have the internal control framework, the operational processes and procedures followed under the Project, audited for the first and third year (or any other period agreed to by the Association), in accordance with terms of reference and by independent auditors both acceptable to the Association;

(b) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Association): (i) certified copies of the assessment of the internal control framework, the operational processes and procedures referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (ii) an opinion on such processes and procedures by said auditors, in scope and detail satisfactory to the Association, as to whether they provide the Project Implementing Entity adequate accounting, internal control and financial reporting as intended for the Project; and

(c) furnish to the Association such other information concerning such internal control framework, operational processes and procedures, and the audit of such internal control framework, operational processes and procedures, and concerning said auditors, as the Association may from time to time reasonably request.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Schedule 2 to the Financing Agreement.