

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H380 KG

Financing Agreement

Second Land and Real Estate Registration Project

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 26, 2008

Public Disclosure Authorized

GRANT NUMBER H380 KG

FINANCING AGREEMENT

AGREEMENT dated September 26, 2008, 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 in an amount equivalent to three million, six hundred thousand Special Drawing Rights (SDR 3,600,000) (“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 May 15 and November 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, through Gosregister, shall carry out the Project 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Additional Event of Suspension consists of the following, namely that the Recipient has amended, suspended, abrogated, repealed or waived the Law on State Registration of Rights in Immovable Property or any other legislation pertaining to the administration of land and real estate so as to affect materially and adversely the carrying out of the Project.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V - EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. 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 its Minister of Finance.
- 6.02. The Recipient's Address is:

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

Telex:

245-156 NUR KH

Facsimile:

(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/ Tajikan Kalimbetova

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Mehrnaz Teymourian

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support markets for, and the more intensive and effective use of, land and real estate through further development of a reliable and well-functioning system for registration of rights in immovable property.

The Project consists of the following parts:

Part 1: Organizational Development and Improved Services

Provision of technical assistance, training, acquisition of goods and carrying out of works (as necessary) to support:

(a) Developing Gosregister's capacity to monitor its performance, develop and recommend strategic and other improvements, and communicate with stakeholders.

(b) Information technology (IT) development and maintenance including establishment of an integrated registration and cadastre IT system; the Kyrgyz Land Information System (KLIS) (with a website portal for the private and public sector); and a unit with resources and capacity to provide ongoing IT maintenance and support to Gosregister.

(c) Upgrading Gosregister's financial management and procurement capabilities including installation of an automated accounting and reporting system, establishment of an internal audit function for the registry network, and improvement of financial management practices.

(d) Improvement of records management, including Gosregister's systems of archiving and managing electronic and paper-based documents pertaining to land and real estate administration.

(e) Improvement of organizational structure of Gosregister and its facilities including infrastructure and functional arrangements.

(f) Management of Project activities, including carrying out Project monitoring, procurement, financial management and audit.

Part 2: Expanding Spatial and Legal Land and Real Estate Data

Provision of technical assistance, training, acquisition of goods and carrying out of works (as necessary) to support:

(a) systematic registration, of at least 120,000 land and real estate units in Novostroiki areas and 70,000 public land and real estate units in urban areas, as well as registration of some community pasture lands;

(b) upgrading spatial data for rural and municipal areas, including assisting Gosregister in upgrading cadastral index maps for registration offices; and

(c) valuation services, including development and maintenance of software and improved access to land and real estate market information.

Part 3: Professional Development and Standards

Provision of training, technical assistance and goods to support:

(a) human resource development of Gosregister staff; and

(b) educational and professional bodies including: (i) those undertaking curricula and courses of land and real property economics, valuation, land management, land administration, land law, surveying and related subjects; and (ii) those overseeing licensing arrangements and standards.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through Gosregister, shall implement the Project in accordance with the provisions of the Registration of Rights Manual, the Cadastral Survey Practice Manual, the Financial Management Manual and the Procurement Manual. Except as the Association shall otherwise agree, the Recipient shall not, and shall ensure that Gosregister shall not, amend or waive any provision of the Registration of Rights Manual, the Cadastral Survey Practice Manual, the Financial Management Manual or the Procurement Manual, if, in the opinion of the Association, such amendment or waiver may materially or adversely affect the carrying out of the Project or the achievement of the Project objectives.

2. The Recipient shall at all times throughout implementation of the Project maintain:

(a) Gosregister, with funds, resources, functions and powers necessary to enable it to carry out the Project activities, and with qualified and experienced management and other staff, all as acceptable to the Association; and

(b) the PIU with adequate staff with qualifications, experience and resources as agreed with the Association from time to time.

3. The Recipient, through Gosregister, shall act in accordance with arrangements acceptable to the Association in making available geographical data, including spatial data, to members of the public or to institutions seeking such data.

4. The Recipient shall, through Gosregister, engage contractors to create ortho images and associated maps for Part 2 (b) of the Project and if aerial photography is required for creating these images and maps, then the Recipient shall promptly, and in any event within thirty (30) days of its entering into contracts for such work, ensure that all measures are taken to provide all permits or licenses necessary or desirable for carrying out such aerial photography.

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

The Recipient, through Gosregister, shall:

- (i) carry out the Project in accordance with the provisions of the Environmental Management Framework; and
- (ii) ensure that the carrying out of the Project does not cause the displacement of human settlements.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient, through Gosregister, 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 forty five (45) days after the end of the period covered by such report.

2. The Recipient, through Gosregister, shall:

- (i) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 15, 2010, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section, on the progress achieved in the carrying out the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out the Project and the achievement of the objectives thereof during the period following such date; and
- (ii) review with the Association, by February 15, 2010, or such later date as the Association shall request, the report referred to in paragraph 1 of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

3. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than September 30, 2012.

B. Financial Management, Financial Reports and Audits

1. The Recipient, through Gosregister, 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, through Gosregister, shall prepare and furnish to the Association, 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, through Gosregister, 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 (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works 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 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 Manual shall specify the circumstances under which such methods may be used:

Procurement Method

(a) **National Competitive Bidding**, subject to the following provisions:

A. Registration and Licensing

(a) Bidding shall not be restricted to pre-registered/licensed firms.

(b) Where registration or licensing is required, bidders: (i) shall be allowed a reasonable time to complete the registration or licensing process; and (ii) shall not be denied registration/licensing for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

(c) Foreign bidders shall not be precluded from bidding. If a registration or licensing process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register or to obtain a license.

B. Advertising

Invitations to bid shall be advertised in the Bulletin of State Procurement and in at least one (1) widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids.

C. Pre-qualification

When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the pre-qualification documents.

D. Participation by Government-owned enterprises

Government-owned enterprises in the Kyrgyz Republic shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

E. Bidding Documents

Procuring entities shall use the appropriate standard bidding documents for the

Procurement Method

procurement of goods, works or services, acceptable to the Association.

F. Bid Opening and Bid Evaluation

(a) Bids shall be opened in public, immediately after the deadline for submission of bids.

(b) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents.

(c) Domestic preference should not be applied.

(d) Contracts shall be awarded to qualified bidder having submitted the lowest evaluated substantially responsive bid and no negotiation shall take place.

G. Price Adjustment

Civil works contracts of long duration (for example, more than eighteen (18) months) shall contain an appropriate price adjustment clause.

H. Rejection of Bids

All bids shall not be rejected and new bids solicited without the Association's prior concurrence.

I. Rejection of an Individual Bid

An individual bid shall be rejected only in the following cases:

(a) the bidder is not qualified;

(b) the bidder does not accept the correction of an arithmetical error in his bid by the Tender Commission of the procuring entity;

(c) the bidder is not responsive to the requirements of the bidding documents; or

(d) under the circumstances referred to in Article 6 of the Law on State

Procurement Method
Procurement. J. State unit costs shall not be used for bidding and evaluation of bids for civil works contracts.
(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 Manual shall specify the circumstances under which such methods may be used.

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

D. Review by the Association of Procurement Decisions

The Procurement Manual 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 78% (inclusive of Taxes) of Eligible Expenditures.

2. The following table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocation of the amount of the Financing to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in said Category:

Category	Amount of the Financing Allocated (Expressed in SDR)	Percentage of Expenditures to be Financed
Goods, Works, Consultants Services, Training and Incremental Operating Costs	3,600,000	78%
TOTAL AMOUNT	<u>3,600,000</u>	

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, except that withdrawals up to an aggregate amount not to exceed SDR 184,000 equivalent may be made for payments made on or after January 1, 2008, for Eligible Expenditures.

2. The Closing Date is May 31, 2012.

APPENDIX

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.
2. “Cadastral Survey Practice Manual” means the cadastral survey practice manual prepared by the Recipient and submitted to the Association on May 7, 2008, setting forth guidelines and procedures for carrying out cadastral surveys for the Project, as such manual may be updated from time to time in agreement with the Association.
3. “Category” means the category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
5. “Environmental Management Framework” means the Recipient’s environmental management framework for the Project, furnished to the Association on January 26, 2008, as such framework may be updated from time to time in agreement with the Association, 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 Association.
6. “Financial Management Manual” means the Recipient’s financial management manual for the Project, dated March 18, 2008, as the same shall be updated from time to time in agreement with the Association.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
8. “Gosregister” means the State Agency of the Recipient for the Registration of Immovable Property Rights established under the Decree of the President of the Kyrgyz Republic No. 49 of February 22, 1999, or any successor thereto.
9. “Incremental Operating Costs” means incremental recurrent expenditures incurred in connection with Project on account of office supplies, vehicle rental and operating charges, maintenance of office equipment, telephone and other communication charges, rental of office space, insurance charges, employer

contributions to the Social Fund of the Kyrgyz Republic, banking charges, utility charges, domestic travel expenses and salaries of contractual staff, but excluding salaries of officials of the Recipient's civil service and such other expenditures as may be agreed upon by the Association.

10. "Law on State Registration of Rights in Immovable Property" means the Law of the Kyrgyz Republic No. 153 of December 22, 1998, including any subsequent amendments thereto.
11. "Novostroiki" means residential settlements and communities around Bishkek and Osh Cities occupied mainly by urban migrants from within the Kyrgyz Republic.
12. "PIU" means the project implementation unit established within Gosregister for overall coordination of the implementation of the Project.
13. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.
14. "Procurement Manual" means the Recipient's procurement manual for the Project, dated March 18, 2008, and referred to respectively in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines as the Procurement Plan, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
15. "Registration of Rights Manual" means the registration of rights manual prepared by the Recipient and furnished to the Association on October 21, 2002, setting forth guidelines and procedures for carrying out registration of land and real estate rights, as such manual may be updated from time to time in agreement with the Association.