
GRANT NUMBER 0408-KGZ (SF)

GRANT AGREEMENT
(Special Operations)

(Strengthening Education System Sector Development Project)

between

KYRGYZ REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 23 JANUARY 2015

KGZ 46537

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 23 JANUARY 2015 between KYRGYZ REPUBLIC ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a grant agreement of even date herewith between the Recipient and ADB ("Program Grant Agreement"), ADB has agreed to provide a grant to the Recipient in the amount of ten million Dollars (\$10,000,000) for the purposes of the Strengthening Education System Sector Development Program ("Program"), described in Schedule 1 to the Program Grant Agreement;

(B) in support of the Program, the Recipient has applied to ADB for a grant for the purposes of the Project described in Schedule 1 to this Grant Agreement; and

(C) ADB has agreed to make a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Grant Agreement, the several terms defined in the Grant Regulations and the Program Grant Agreement have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Grant Agreement have the following meanings:

(a) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(b) "Consulting Services" means the services to be financed out of the proceeds of the Grant as described in paragraph 2 of Schedule 1 to this Grant Agreement;

(c) "Goods" means equipment and materials to be financed out of the proceeds of the Grant, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(d) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2012, as amended from time to time);

(e) "Output" means an output specified in paragraph 2 of Schedule 1 to this Grant Agreement;

(f) "PAM" means the project administration manual for the Project dated 5 August 2014 and agreed between the Recipient and ADB, as updated from time to time in accordance with the respective administrative procedures of the Recipient and ADB;

(g) "PIU" means the Project implementation unit at MES;

(h) "Procurement Guidelines" means ADB's Procurement Guidelines (2013, as amended from time to time);

(i) "Procurement Plan" means the procurement plan for the Project dated 5 August 2014 and agreed between the Recipient and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(j) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009); and

(k) "Works" means construction or civil works to be financed out of the proceeds of the Grant, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources an amount of twelve million Dollars (\$12,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.04. Except as ADB may otherwise agree, the Recipient shall cause all items of expenditure financed out of the proceeds of the Grant to be used exclusively in the carrying out of the Project.

Section 3.05. Withdrawals from the Grant Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods, Works and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.06. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 August 2021 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant Agreement.

Section 4.02. (a) The Recipient shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest fund and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control

of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Recipient, unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

ARTICLE V

Suspension

Section 5.01. The following is specified as an additional event for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations: the grant under the Program Grant Agreement shall have become liable for suspension or cancellation.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the Program Grant Agreement shall have been duly executed and delivered on behalf of the Recipient, shall have become legally binding upon the Recipient in accordance with its terms, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement) shall have been fulfilled.

Section 6.02. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Finance
58 Erkindik Boulevard
Bishkek 720040
Kyrgyz Republic

Facsimile Numbers:

(996) 312661645
(996) 3312661955.

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2424.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

KYRGYZ REPUBLIC

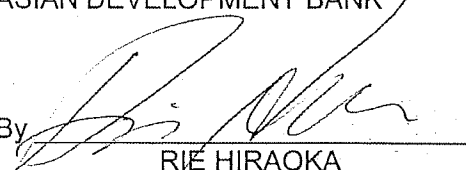
By



OLGA LAVROVA
Minister
Ministry of Finance

ASIAN DEVELOPMENT BANK

By



RIE HIRAOKA
Country Director
Kyrgyz Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to enhance the quality, access, and efficiency of public education in the Kyrgyz Republic.
2. The Project shall comprise:

Output 1: Improving the quality of curriculum and teaching learning materials.

This Output comprises support to the Recipient in:

- (a) development of subject curriculum and assessment for math and sciences of the general and profile streams in grades 10–11;
- (b) building capacity of curriculum writers, textbook authors and publishers, and relevant government agencies in the creation of quality textbooks and teachers' guides to support the introduction of the new curriculum;
- (c) redesigning standard textbook development, evaluation, publishing and distribution procedures to speed up the introduction of new curriculum textbooks and the printing of the required textbooks and teachers' guides in math and sciences for grades 7–9;
- (d) a phased introduction of the Textbook Rental Scheme;
- (e) designing and introducing a computerized textbook management system to enable effective monitoring of textbook provision; and
- (f) the initial functioning of the Curriculum Review Unit.

Output 2: Improving the quality of teachers and in-service teacher training.

This Output comprises support to the Recipient in:

- (a) upgrading methodological competencies of 10,000 teachers through in-service teacher training to support new pedagogies and learning outcomes in math and sciences embedded in the new curriculum for grades 7 to 11;
- (b) capacity building for principals, deputy principals, teacher training institute staff and district methodology specialists to support teachers in teaching the new curriculum;

- (c) piloting of the new teacher performance appraisal, teacher certification system, and continuous professional development in 30 selected innovative schools;
- (d) use of information and communication technology in in-service teacher training and classroom teaching by piloting online modules and other forms of e-learning for teachers and principals; and
- (e) a twinning partnership between teacher training institutes in the Recipient and overseas teacher training institutes to facilitate mentoring and fostering a learning culture; and
- (f) minor upgrade in facilities of selected teacher training institutes through provision of equipment, furniture and materials;

Output 3: Improving access to quality education through innovative schools.

This Output comprises support to 30 selected innovative schools in poor and remote locations, including provision of science laboratories, learning support materials, information and communication technology equipment and software, multi-media classrooms, and minor school repairs, including modifying school facilities to allow access for students with physical disabilities;

and

Output 4: Improving sector and Project management

This Output comprises support to the Recipient in:

- (a) developing policy recommendations for enhancing budget efficiency, including (i) reviewing the current education expenditures; (ii) developing a policy and action plan for providing an adequate budget for operation and maintenance and capital repairs for schools; (iii) conducting a training and capacity needs assessment and improvement plan for education planning and budgeting; and (iv) conducting policy studies to improve the management and efficiency of the education sector;
- (b) carrying out advocacy and communication activities to inform key stakeholders about the reforms under the Program including the Textbook Rental Scheme; and
- (c) Project implementation support covering planning, procurement, project management, financial management and compliance with safeguard requirements, including provision of equipment, furniture and materials to MES for purposes of Project implementation.

3. The Project is expected to be completed by 28 February 2021.

SCHEDULE 2

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Grant and the allocation of the Grant proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

Basis for Withdrawal from the Grant Account

2. Except as ADB may otherwise agree, the proceeds of the Grant shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Strengthening Education System Sector Development Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Civil Works	2,290,000	100 percent of total expenditure claimed*
2	Equipment	1,758,000	100 percent of total expenditure claimed*
3	Furniture	163,000	100 percent of total expenditure claimed*
4	Consulting Services	2,024,000	100 percent of total expenditure claimed*
5	Capacity building	3,234,000	100 percent of total expenditure claimed*
6	Research studies	290,000	100 percent of total expenditure claimed*
7	Project management	479,000	100 percent of total expenditure claimed*
8	Unallocated	1,762,000	
	Total	12,000,000	

* Exclusive of taxes and duties imposed within the territory of the Recipient.

SCHEDULE 3

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Grant Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
 - (a) International Competitive Bidding;
 - (b) National Competitive Bidding; and
 - (c) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Recipient may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

National Competitive Bidding

5. The Recipient and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Recipient's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Recipient and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Recipient and ADB.

Consulting Services

6. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Recipient shall apply quality- and cost-based selection for selecting and engaging Consulting Services.
7. The Recipient shall apply the following methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan:
 - (a) Quality-based Selection for training under the twinning arrangement under Output 2 of the Project;
 - (b) Least-Cost Selection for external audits; and

- (c) Consultants' Qualifications Selection for engineering/design of minor works under Output 3 of the Project and feasibility and policy research studies.

8. The Recipient shall recruit the individual consultants for Textbook Rental Scheme management, textbook quality, education finance and project management support in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

9. (a) The Recipient shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Recipient shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

10. The Recipient shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

11. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.

12. In the case of a contract for Goods or Works, which is subject to ADB's prior review, the Recipient shall seek ADB's prior approval of any modification or waiver of the terms and conditions of the contract, including:

- (a) granting an extension of the stipulated time for completion of a contract for a period of 1 month or more, or which is likely to require an extension of the Grant Closing Date, and
- (b) increases in aggregate of the original price by more than 5% (for the avoidance of doubt, such increase shall take into account any previous change under such contract).

13. In the case of a contract for Goods or Works, which is subject to ADB's post review, ADB shall review the required contract modification or waiver and respond to the Recipient as soon as practicable, but not later than 1 month after the receipt of the required document.

14. The Recipient shall provide to ADB copies of all time extensions, modifications or waivers to the contracts (including change orders) within 1 month following amendment of the contract.

SCHEDULE 4

Execution of Project; Financial Matters

Implementation Arrangements

1. The Recipient through MOF and MES shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Recipient and ADB. In the event of any discrepancy between the PAM and this Grant Agreement, the provisions of this Grant Agreement shall prevail.

2. The Recipient through MES shall ensure that the PIU shall be adequately staffed during implementation of the Project, including:

- (a) at least 3 full time personnel including 1 project coordinator, 1 procurement specialist, 1 financial management specialist within 3 months from the Effective Date; and
- (b) in addition to the personnel mentioned in paragraph (a) above, at least 4 additional full time personnel including 1 monitoring and evaluation specialist, 2 textbook management specialists, and 1 teacher training specialist within 12 months from the Effective Date,

each designated for the implementation of the Project.

3. Within 6 months from the Effective Date, the Recipient shall ensure that 30 innovative schools have been selected for Outputs 2(iii) and 3 of the Project based on the selection criteria that are substantially the same as the criteria set out in Appendix 2 to the PAM except as ADB may otherwise agree. The selection criteria shall ensure that (a) the selected innovative schools are in poor or remote areas and (b) at least 10% of the selected innovative schools have at least one ethnic minority language as a medium of instruction at those schools.

Counterpart Support

4. The Recipient through MOF and MES shall ensure that all counterpart contributions, including local taxes and duties, counterpart staff, office space and facilities, funding for operations and maintenance, as shall be necessary or required for the carrying out of the Project and for the operation and maintenance of the Project facilities are provided in a timely manner.

Sector

5. The Recipient through MES shall ensure that prior to provision and installation of information and communication technology equipment under Output 3 of the Project, the relevant innovative schools have adequate internet connection for the operation of such equipment.

6. The Recipient through MES shall ensure that (a) within 12 months from the Effective Date, the selected innovative schools are adequately staffed with qualified sciences teachers and (b) no laboratory equipment will be provided or installed to any selected innovative school that are not adequately staffed with qualified sciences teachers for the operation of such laboratory equipment.
7. In relation to the Textbook Rental Scheme under Output 1:
- (a) within 9 months from the Effective Date, the Recipient through MES shall provide an implementation plan, satisfactory to ADB, for a phased introduction of the Textbook Rental Scheme and commence its implementation within 18 months from the Effective Date; and
 - (b) the Recipient through MES shall ensure that the poorest and most vulnerable 15% of students participating in the Textbook Rental Scheme, as identified in a manner satisfactory to ADB, are entitled to free textbook rentals.
8. The Recipient shall through MES pilot e-procurement of textbook printing covering at least 5 contract packages by 31 December 2016. For purposes of this paragraph, e-procurement shall comprise the publication of procurement opportunities online, online publication of bidding documents and online submission of bids.
9. The Recipient through MES shall (a) review cost reduction options for the provision of textbook and teachers' guide with targeted textbook provision coverage of 90% of students and (b) submit a proposed program of cost reduction activities satisfactory to ADB within 18 months from the Effective Date, and promptly seek the relevant approval of and implement such program in a timely manner.
10. The Recipient through MES shall, by 31 December 2017, streamline the current curriculum pilot-testing system in consultation with ADB in order to reduce the delays in approval of teaching and learning materials.
11. The Recipient through MES shall monitor textbook inventories by subject and class and of the usage of those books and to provide annually to ADB monitoring data on textbooks inventories and the rate of textbook provision to students by grade and language group.

Safeguards

12. The Recipient shall ensure that the Project does not have any environmental, indigenous peoples or involuntary resettlement impacts, all within the meaning of the SPS. In the event that the Project does have any such impact, the Recipient shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Recipient and with the SPS.
13. The Recipient shall ensure that no proceeds of the grant are used to finance any activity that are identified as prohibited investment activities under the SPS.

Labor Standards

14. The Recipient shall ensure that Works contracts and bidding documents under the Project include specific provisions requiring contractors to comply with all (a) applicable labor laws and core labor standards on (i) prohibition of child labor as defined in national legislation for construction and maintenance activities; (ii) equal pay for equal work of equal value regardless of gender and ethnicity; and (iii) elimination of forced labor; and (b) the requirement to disseminate information on sexually transmitted diseases including HIV/AIDS to employees and local communities surrounding the Program facilities.

Gender and Development

15. The Recipient through MES shall ensure that (a) the Gender Action Plan (GAP) is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but not limited to:

- (i) incorporation of gender-sensitive provisions in the training programs and checklists of requirements for curriculum developers and textbook writers by 31 December 2015;
- (ii) incorporation of gender-sensitive provisions on promotion of positive gender roles and avoidance of stereotyped images in the official guidance for review of teaching and learning materials by 30 June 2018; and
- (iii) by no later than 31 December 2015, collection of gender disaggregated data covering at least (A) teacher employment by position and by subject (B) deputy principal and principal appointment and (C) membership on school boards of trustees including breakdown by member and chairing positions.

Grievance redress mechanism

16. The Recipient through MES shall ensure that, within 2 months from the Effective Date, a grievance redress mechanism, acceptable to ADB, is established and functioning effectively to: (a) review and document Project related grievances in respect of matters including safeguard compliance, employment opportunities, payment by contractors and sub-contractors and access to education resources; (b) proactively address such grievances; (c) provide the complainants with notice of the redress mechanism/action; and (d) prepare, and make available to ADB, periodic reports to summarize (i) the number of complaints received; (ii) actions; and (iii) final outcomes of the grievances.

Monitoring and evaluation

17. Within 6 months of the Effective Date, the Recipient through MES will adopt a Project monitoring and evaluation plan acceptable to ADB. The key project monitoring indicators agreed upon by the government and ADB shall be used to evaluate the achievements and impact of the Project.

Governance and Anticorruption

18. The Recipient shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

19. The Recipient shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.