

**OFFICIAL
DOCUMENTS**

**CREDIT NUMBER 5601-KG
GRANT NUMBER D041-KG**

Project Agreement

(Third Village Investment Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY

Dated *June 12*, 2015

**CREDIT NUMBER 5601-KG
GRANT NUMBER D041-KG**

PROJECT AGREEMENT

Agreement dated *June 12*, 2015,
entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION
("Association") and the COMMUNITY DEVELOPMENT AND INVESTMENT
AGENCY ("Project Implementing Entity") ("Project Agreement") in connection with the
Financing Agreement ("Financing Agreement") of same date between the Kyrgyz
Republic ("Recipient") and the Association. 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 this 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 — REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity's Representative is the Executive Director.

302. The Association's Address is:

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

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

3.03. The Project Implementing Entity's Address is:

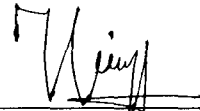
Community Development and Investment Agency
102, Bokonbaeva Street
Bishkek
Kyrgyz Republic

Facsimile:
996-312-624-748

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



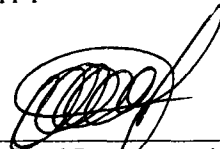
Authorized Representative

Name: Jean-Michel Haggi

Title: Country Manager

PROJECT IMPLEMENTING ENTITY

By



Authorized Representative

Name: Ismailor Kubanychbek

Title: Executive Director

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall maintain throughout implementation of the Project staff including with functions, responsibilities and resources satisfactory to the Association.
2. **Project Operations Manual**
 - (a) Without limitation to the provisions of Article IV of the General Conditions, the Project Implementing Entity shall:
 - (i) update the Operational Manual ("OM") *inter alia* describing and setting forth procedures for implementation of the Project and institutional arrangements, consistent with the provisions of this Agreement and with applicable laws and regulations and including timetables of actions required to be carried out under the Project, staffing, the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures and including the Project specific chart of accounts), procurement procedures, monitoring and evaluation arrangements, a detailed selection criteria of the activities to be financed under Sub-Projects and Micro-Projects (including carrying out renovations only on existing schemes of community irrigation and water supply systems and excluding new activities that may involve the use or potential pollution of international waterways or the tributaries of any such international waterways), eligibility criteria for each respective *Ayil Okmotu* or *Ayil Okmotus* to receive a Sub-Grant or Small Grant, and other fiduciary and administrative arrangements and necessary terms of reference and, thereafter adopt said updated OM; and
 - (ii) carry out the Project in accordance with the updated OM.
 - (b) Except as the Association shall otherwise agree in writing, the Project Implementing Entity shall not amend, waive, suspend or abrogate any

provision of the OM and in case of any inconsistency between the provisions of the OM and those of this Agreement, the provisions of this Agreement shall prevail

B. Subsidiary Agreement

The Project Implementing Entity shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association, and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Sub-Projects and Micro-Projects

1. In implementing Part 2 of the Project, the Project Implementing Entity shall make a Sub-Grant and Small Grant under an agreement (Framework Agreement), with the respective *Ayil Okmotu* or *Ayil Okmotus* on terms and conditions approved by the Association, which shall include the following:
 - (a) Each Sub-Grant shall finance a Sub-project included in the pertinent Local Investment Plan and costing at least \$20,000 or more; and each Small Grant shall finance a Micro-project or aggregated Micro-projects included in the pertinent Local Investment Plan, costing less than \$20,000 be made to an *Ayil Okmotu* or *Ayil Okmotus*.
 - (b) The Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Association, including the right to:
 - (i) suspend or terminate the right of the corresponding *Ayil Okmotu* or *Ayil Okmotus* to use the proceeds of the Sub-Grant or Micro Grant, or obtain a refund of all or any part of the amount of the Micro-Grant or Sub-Grant then withdrawn, upon the *Ayil Okmotus*' failure to perform any of its obligations under the respective Framework Agreement;
 - (ii) require each eligible *Ayil Okmotu* or *Ayil Okmotus* to: (A) make a financial contribution of a minimum of 3.75% for any selected Sub-Project or Micro-Project; (B) carry out its Sub-project or Micro-Project with due diligence and efficiency and in accordance

with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (C) provide, promptly as needed, the resources required for the purpose; (D) procure the goods, works and services, to be financed by a Small Grant under Part 2 (a) (ii) of the Project in accordance with the Community Procurement Handbook and the provisions of this Agreement;

- (iii) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-projects and Micro-Projects and the achievement of their objectives;
- (iv) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-projects and Micro-Projects;
- (v) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
- (vi) enable the Recipient and the Association to inspect the Sub-projects and Micro-Projects, its operation and any relevant records and documents; and
- (vii) prepare and furnish to the Recipient and the Association, all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

2. The Project Implementing Entity shall exercise its rights and carry out its obligations under each Framework Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce any Framework Agreement or any of its provisions.

E. Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the Resettlement Policy Framework (“RPF”), Environmental Management Framework (“EMF”), as well as any site-specific Resettlement Action Plans (RAPs) and/or Environmental Action Plans (EMPs), as the case may be. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the RPF and/or EMF, or any of their provisions.
2. Without limitation to the provisions set forth in Section I.E.1 above, for the purposes of carrying out the activities under Part 2 of the Project, the Project Implementing Entity shall:
 - (a) when applicable: (i) prepare and disclose, prior to commencement of any works under Part 2 of the Project, site-specific RAPs and EMPs, each and all acceptable to the Association, in accordance with the RPF and EMF, respectively; and (ii) carry out the works in accordance with the provisions of said site-specific RAPs, including full payment of Resettlement Compensation and/or the provision of relocation to all Displaced Persons prior to displacement; and
 - (b) maintain a grievance redress mechanism acceptable to the Association so as to enable an adequate monitoring and resolution of the issues arising as a result of the Project activities.

F. Software modification

The Project Implementing Entity shall ensure that the Project Implementing Entity not later than thirty (30) days after the Effectiveness Date, modify its’ accounting and financial reporting software to meet the requirements of the Project in a manner satisfactory to the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later thirty days (30) days after the end of the 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 months after the Closing Date, 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 and 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, both in a manner adequate to reflect 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 fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.