
LOAN NUMBER 3854-KGZ(COL)

LOAN AGREEMENT
{Ordinary Operations [Concessional]}
(Naryn Rural Water Supply and Sanitation Development Program)

between

KYRGYZ REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 25 December 2019

KGZ 52256

LOAN AGREEMENT
(Ordinary Operations [Concessional])

LOAN AGREEMENT dated 25 December 2019 between KYRGYZ REPUBLIC ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the program described in Schedule 1 to this Loan Agreement (the "Program");

(B) by a grant agreement between the Borrower and ADB ("ADF Grant Agreement"), ADB has agreed to make a grant to the Borrower from ADB's Special Funds resources in an amount of thirteen million seven hundred thousand Dollars (\$13,700,000) ("ADF Grant") for the purpose of the Program;

(C) the Program will be carried out by DDWSSD (as defined hereinafter) as executing agency and ARIS (as defined hereinafter) as implementing agency; and

(D) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Program Agreement of even date herewith between ADB and ARIS;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(v) is deleted and the following is substituted therefor:

"Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as such description may be amended from time to time by agreement between ADB and the Borrower;

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

(c) Section 2.01(x) is deleted and the following is substituted therefor:

"Program Executing Agency" means the entity responsible for the carrying out of the Program as specified in the Loan Agreement;

- (d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".

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

- (a) "ADB's Results-Based Lending Policy" means ADB's policy set out in the R-Paper on Piloting Results-Based Lending for Programs approved by ADB on 6 March 2013;
- (b) "Anticorruption Guidelines" means ADB's Guidelines to Prevent or Mitigate Fraud, Corruption and Other Prohibited Activities in Results-Based Lending for Programs as set forth in Appendix 7 to ADB's Results-Based Lending Policy;
- (c) "ARIS" means the Community Development and Investment Agency of the Kyrgyz Republic established for the purpose of implementing the Borrower's Investment programs;
- (d) "DDWSSD" means the Department of Drinking Water Supply and Sewerage Development under the State Agency for Water Resources;
- (e) "Deposit Account" means the account referred to in paragraph 2 of Schedule 3 to this Loan Agreement;
- (f) "DLI" means each disbursement-linked indicator as set forth in the DLI Matrix;
- (g) "DLI Matrix" means the DLI matrix for the Program as set forth in Attachment 2 of Schedule 3 to this Loan Agreement, as updated from time to time by the Borrower and ADB;
- (h) "DLI Verification Protocol" means the protocol for verifying the Borrower's achievement of each DLI, as set forth in the PID;
- (i) "Eligible Expenditures" means the eligible expenditures referred to in paragraph 2 of Schedule 4 to this Loan Agreement;
- (j) "Environmental Safeguards" means the objectives and policy principles set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (k) "FY" means the fiscal year of the Borrower, which runs from 1 January to 31 December of each year;

- (l) "High-Value Contracts" means (i) procurement of works, turnkey and supply and installation contracts that cost \$5 million equivalent or more per contract; (ii) procurement of goods contracts that cost \$5 million equivalent or more per contract; (iii) information technology or non-consulting services contracts that cost \$5 million equivalent or more per contract; and (iv) consulting services contracts that cost \$5 million equivalent or more per contract;
- (m) "Indigenous Peoples Safeguards" means the objectives and policy principles set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (n) "Involuntary Resettlement Safeguards" means the objectives and policy principles set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;
- (o) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (p) "Naryn" means Naryn province (*oblast*);
- (q) "PAP" means the program action plan for the Program dated 13 September 2019, as updated from time to time by the Borrower and ADB;
- (r) "PID" means the program implementation document for the Program dated 13 September 2019, as updated from time to time by the Borrower and ADB;
- (s) "Procurement Manual" means the procurement manual developed by ARIS which sets out the procurement processes for the Program in line with international best practices and acceptable to ADB;
- (t) "Program Actions" means the actions set out in the PAP;
- (u) "Program Agreement" means the program agreement of even date herewith among ADB, Program Executing Agency and Program implementing Agency, as such agreement may be amended from time to time;
- (v) "Program Completion Date" means the date set out in paragraph 4 of Schedule 1 to this Loan Agreement, or such other date as the Borrower and ADB may agree;
- (w) "Program Executing Agency" means the DDWSSD or any successor thereto acceptable to ADB, which is responsible for the overall monitoring of the results of the Program;
- (x) "Program Implementing Agency" means ARIS or any successor thereto acceptable to ADB, which is responsible for the implementation of the Program;

- (y) "SDWSSSS" means the Borrower's Strategy for Development of Water Supply and Sewerage Systems in Settlements of the Kyrgyz Republic until 2026, which is supported by the Program;
- (z) "SPS" means ADB's Safeguard Policy Statement (2009);
- (aa) "Table" means the table on the allocation and withdrawal of Loan proceeds set forth in Attachment 1 of Schedule 3 to this Loan Agreement; and
- (bb) "WSU" means a water supplies and utilities services entity established and operating in accordance with laws of Kyrgyz Republic, collectively "WSUs".

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of thirteen million seven hundred thousand Dollars (\$13,700,000).

(b) The Loan has a principal repayment period of 24 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 March and 15 September in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall apply the proceeds of the Loan to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2028 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement, the Grant Agreement and the Program Agreement.

Section 4.02. As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB (a) quarterly reports on the implementation of the Program, including the accomplishment of the DLIs, the carrying out of the Program Actions and the Eligible Expenditures; and (b) as ADB shall reasonably request, additional information in connection with the reports described in subsection (a) hereinabove and other information on Program implementation.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Program and any relevant records and documents.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations:

- (a) the ADF Grant shall have become liable for suspension or cancellation; and

- (b) the Program Implementing Agency shall have failed to perform any of its obligations under the Program Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

- (a) the ADF Grant Agreement shall have been duly authorized by, and executed and delivered on behalf of, the Borrower, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled; and
- (b) the Program Agreement shall have been duly authorized by, and executed and delivered and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

- (a) the ADF Grant Agreement has been duly authorized, executed and delivered on behalf of the Borrower, and is legally binding upon the Borrower in accordance with its terms; and
- (b) the Program Agreement has been duly authorized, executed and delivered on behalf of the Program Executing Agency and Program Implementing Agency, and is legally binding upon the Program Executing Agency and Program Implementing Agency in accordance with its terms.

Section 6.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII**Miscellaneous**

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

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

For the Borrower

Ministry of Finance
58 Erkindik Boulevard
Bishkek 720040
Kyrgyz Republic

Facsimile Number:

(996) 312 661 646

For ADB

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

Facsimile Numbers:

(632) 8636-2444
(632) 8636-2484.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan 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



BAKTYGUL JEENBAEVA
Minister of Finance

ASIAN DEVELOPMENT BANK

By



STEVEN LEWIS-WORKMAN
Authorized Representative

SCHEDULE 1

Description of the Program

1. The objective of the Program is to support SDWSSSS's Implementation through inclusive and reliable access to safe water supply and improved sanitation for rural communities in Naryn oblast.
2. **Part 1: Expanding water supply and sanitation infrastructure and piloting of sanitation solutions** comprising the following:
 - (a) safe water sources, water storage, and treatment and disinfection systems;
 - (b) distribution networks for the target population of approximately 64,000;
 - (c) gender-sensitive safe water and sanitation facilities in selected village kindergartens, schools and health facilities; and
 - (d) piloting non-networked household sanitation solutions.
3. **Part 2: Strengthening institutional capacities for enhanced sustainability in the rural water supply and sanitation sector** comprising the following:
 - (a) establishing and strengthening WSUs with at least 20% female participation across all WSUs by 2025 and 40% female participation in WSU-related trainings and public consultations;
 - (b) delivering financial management training to further enhance internal control processes and procedures for Program Implementing Agency and WSUs;
 - (c) adopting and applying a procurement manual and a multi-year procurement action plan; and
 - (d) developing and implementing a monitoring and evaluation framework to improve knowledge of the asset inventory and data management.
4. The Program is expected to be completed by 31 December 2027.

SCHEDULE 2**Amortization Schedule**

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in Dollars)*
15 March 2028	285,417
15 September 2028	285,417
15 March 2029	285,417
15 September 2029	285,417
15 March 2030	285,417
15 September 2030	285,417
15 March 2031	285,417
15 September 2031	285,417
15 March 2032	285,417
15 September 2032	285,417
15 March 2033	285,417
15 September 2033	285,417
15 March 2034	285,417
15 September 2034	285,417
15 March 2035	285,417
15 September 2035	285,417
15 March 2036	285,417
15 September 2036	285,417
15 March 2037	285,417
15 September 2037	285,417
15 March 2038	285,417
15 September 2038	285,417
15 March 2039	285,417
15 September 2039	285,417
15 March 2040	285,417
15 September 2040	285,417
15 March 2041	285,417
15 September 2041	285,417
15 March 2042	285,417
15 September 2042	285,417
15 March 2043	285,417
15 September 2043	285,417
15 March 2044	285,417
15 September 2044	285,417
15 March 2045	285,417
15 September 2045	285,417
15 March 2046	285,417
15 September 2046	285,417
15 March 2047	285,417
15 September 2047	285,417

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in Dollars)*
15 March 2048	285,417
15 September 2048	285,417
15 March 2049	285,417
15 September 2049	285,417
15 March 2050	285,417
15 September 2050	285,417
15 March 2051	285,417
15 September 2051	285,401
Total	13,700,000

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. Except as set out in this Schedule or as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Deposit Account

2. Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account established at a commercial bank, as the Deposit Account for the Program into which all withdrawals from the Loan Account shall be deposited.

3. The Borrower shall maintain separate records in respect of the Deposit Account in accordance with accounting principles acceptable to ADB.

Basis for Withdrawal from the Loan Account

4. (a) The Table sets out the Loan amounts allocated for withdrawal in respect of a DLI upon the Borrower's achievement of the corresponding DLI targets as set out in the DLI Matrix. The years set out in the Table are indicative. They do not restrict withdrawal on account of any DLI targets achieved whether ahead of, or later than, the indicated year, provided that such DLI targets are achieved on or before the Program Completion Date.

(b) ADB may, by notice to the Borrower, reallocate the Loan amounts set out in the Table within the same DLI or from one DLI to any other DLI.

5. Prior to submitting any application for withdrawal from the Loan Account in respect of a DLI, the Borrower shall submit to ADB in accordance with the DLI Verification Protocol satisfactory evidence showing that: (a) such DLI has been fully achieved; or (b) for a DLI for which partial disbursement is allowed (as specified in the DLI Matrix), such DLI has been achieved to the extent required for partial disbursement under the DLI Verification Protocol. Upon ADB's confirmation that the DLI has been achieved in full or in part, the Borrower may submit to ADB an application for withdrawal of the corresponding Loan amount for such DLI.

Advance Financing and Financing for Prior Results

6. (a) Prior to the achievement of the DLIs, the Borrower may withdraw from the Loan Account an advance financing amount for the purposes of meeting the Program's financing requirements and supporting the achievement of such DLIs, provided that the outstanding advance financing amount shall not, at any time, exceed 25% of the Loan amount. ADB shall deduct the outstanding advance financing amount, or any portion thereof, from the Loan proceeds to be disbursed upon achievement of the DLIs.

(b) The Borrower may withdraw from the Loan Account for DLIs achieved prior to the Effective Date but not earlier than 12 months before the date of this Loan Agreement, provided that the aggregate of such withdrawals for prior results shall not exceed 20% of the Loan amount.

(c) The aggregate of the outstanding advance financing amount and the amount withdrawn for financing for prior results under subparagraphs (a) and (b) hereinabove shall not, at any time, exceed 30% of the Loan amount.

Reconciliation

7. If any DLI has not been achieved by the Program Completion Date, the Borrower shall, within 6 months of the Program Completion Date, provide a refund to ADB for any outstanding advance financing amount or part thereof for such DLI.

8. If the total Eligible Expenditures amount to less than the Loan amount withdrawn by the Borrower, the Borrower shall provide a refund to ADB for an amount equal to the extent of the shortfall within 6 months of the Program Completion Date.

TABLE

Allocation and Withdrawal of Loan Proceeds (\$)									
Disbursement-Linked Indicators (DLI)	Total ADB Financing Allocation	Financing for Prior Results	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
DLI 1	4,110,000.00			1,438,500.00	890,500.00	890,500.00	890,500.00		
DLI 2	1,370,000.00			548,000.00	274,000.00	548,000.00			
DLI 3	274,000.00		39,144.00	39,143.00	39,143.00	39,143.00	78,284.00	39,143.00	
DLI 4	4,521,000.00		904,200.00	904,200.00	904,200.00	904,200.00	904,200.00		
DLI 5	685,000.00		171,250.00	171,250.00	171,250.00	171,250.00			
DLI 6	685,000.00	411,000.00	39,142.86	39,142.86	39,142.86	39,142.86	39,142.86	39,142.86	39,142.86
DLI 7	685,000.00		171,250.00		171,250.00		171,250.00		171,250.00
DLI 8	1,370,000.00		195,714.29	195,714.29	195,714.29	195,714.29	195,714.29	195,714.29	195,714.24
TOTAL	13,700,000.00	411,000.00	1,520,701.14	3,335,950.14	2,685,200.14	2,787,950.14	2,279,091.14	274,000.14	406,107.14

DLI MATRIX

Disbursement-Linked Indicators	Baseline Value and Year	Prior Results	2020	2021	2022	2023	2024	2025	2026
DLI 1: By 2026, at least 64,000 people in the villages of Naryn oblast use potable water	0 population use water from disinfected sources, 2019			Potable water supply & distribution network for 4,500 population commissioned	Potable water supply & distribution network for 19,000 population (cumulative) commissioned	Potable water supply & distribution network for 45,000 population (cumulative) commissioned	Potable water supply & distribution network for 64,000 population (cumulative) commissioned		
DLI 2: By 2026, at least an additional 13 village schools/ kindergartens and 8 health facilities are served by improved gender-sensitive water and sanitation facilities	0 additional schools/ kindergartens and health facilities, 2019			(i) GSWS facilities in 3 schools/ kindergartens commissioned (ii) GSWS facilities in 3 health facilities commissioned	(i) GSWS facilities in 7 schools/ kindergartens (cumulative) commissioned (ii) GSWS facilities in 5 health facilities (cumulative) commissioned	(i) GSWS facilities in 13 schools/ kindergartens (cumulative) commissioned (ii) GSWS facilities in 8 health facilities (cumulative) commissioned			
DLI 3: By 2025, detailed design of infrastructure is completed for 43 villages	0 completed		Predesign activities and detailed design completed in 13 villages	Predesign activities and detailed design completed in 23 villages	Predesign activities and detailed design completed in 28 villages	Predesign activities and detailed design completed in 33 villages	Predesign activities and detailed design completed in 38 villages	Predesign activities and detailed design completed in 43 villages	
DLI 4: By 2024, infrastructure	Infrastructure inadequate		Preparation of bidding	(i) Safe water source,	(i) Safe water source,	(i) Safe water source,	(i) Safe water source,		

Disbursement-Linked Indicators	Baseline Value and Year	Prior Results	2020	2021	2022	2023	2024	2025	2026
components for water supply and distribution networks are in place for at least 64,000 population	or non-existent		documents to conduct tender for construction works to cover at least 4,500 population	disinfection, and storage system completed to cover needs of 4,500 population (ii) Water distribution networks expanded to serve 4,500 population	disinfection, and storage system completed to cover needs of 19,000 population (ii) Water distribution networks expanded to serve 19,000 population	disinfection, and storage system completed to cover needs of 45,000 population (ii) Water distribution networks expanded to serve 45,000 population	disinfection, and storage system completed to cover needs of 64,000 population (ii) Water distribution networks expanded to serve 64,000 population		
DLI 5: By 2023, non-networked, household sanitation solutions have been piloted in at least 2 villages with minimum combined total of 660 households	Sanitation solutions not piloted		Feasibility study completed for pilot approach	List of target villages and households identified. Detailed designs developed	Solutions implemented for at least 250 households	Solutions implemented for at least 660 households (cumulative)			
DLI 6: Procurement manual developed and implemented for the RBL program from 2020	Gaps identified in ARIS' procurement and contract management systems	Procurement manual and MYP developed	2020 MYP targets implemented according to procurement manual	2021 MYP targets implemented according to procurement manual	2022 MYP targets implemented according to procurement manual	2023 MYP targets implemented according to procurement manual	2024 MYP targets implemented according to procurement manual	2025 MYP targets implemented according to procurement manual	2026 MYP targets implemented according to procurement manual
DLI 7: By 2026, 100% of internal audit staff and	Gaps identified in ARIS's		ARIS ensures that at least four internal		ARIS ensures that at least four internal		ARIS ensures that at least four internal		ARIS ensures that at least four

Disbursement-Linked Indicators	Baseline Value and Year	Prior Results	2020	2021
finance staff of ARIS are trained in internal audit and financial management, respectively, by a nationally recognized institute	financial management system. The audit and financial management units have 3 and 13 staff, respectively, without accreditation.		audit staff (female/male) and finance staff are trained and certified respectively in audit and financial management	
DLI 8: By 2026, WSUs fully operational and financially sustainable, with at least 20% female participation within WSUs, and at least 40% female participation in WSU-related trainings and public consultations	No functioning structures for operations, maintenance, and management support		Scoping study conducted for jurisdiction, roles and responsibilities of raion and aiyi okmotu levels	(i) Public consultations and trainings completed, with at least 40% female participation, to cover 4,500 population (ii) Tariff developed by aiyi okmotu for 4,500 population (iii) Tariff approved by aiyi kenesh for 4,500 population

Attachment 2 to Schedule 3

2022	2023	2024	2025	2026
audit staff (female/male) and finance staff are trained and certified respectively in audit and financial management		audit staff (female/male) and finance staff are trained and certified respectively in audit and financial management		internal audit staff (female/male) and finance staff are trained and certified respectively in audit and financial management
<p>(i) WSUs established to serve population receiving water supply in 2021</p> <p>(ii) Public consultations and trainings completed, with at least 40% female participation, to cover 19,000 population</p> <p>(iii) Tariff set by aiyl okmotu for 19,000 population.</p> <p>(iv) Tariff approved by</p>	<p>(i) WSUs established to serve population receiving water supply in 2022</p> <p>(ii) Public consultations and trainings completed, with at least 40% female participation, to cover 45,000 population</p> <p>(iii) Tariff set by aiyl okmotu for 45,000 population</p> <p>(iv) Tariff approved by</p>	<p>(i) WSUs established to serve population receiving water supply in 2023 (ii) Public consultations and trainings completed, with at least 40% female participation, to cover 64,000 population</p> <p>(iii) Tariff set by aiyl okmotu for 64,000 population</p> <p>(iv) Tariff approved by</p>	<p>(i) 64,000 population served by WSUs, with (ii) at least 20% female participation in the overall WSUs</p>	<p>(i) 64,000 population served by WSUs, with (ii) at least 20% female participation in the overall WSUs</p>

Disbursement-Linked Indicators	Baseline Value and Year	Prior Results	2020	2021	2022	2023	2024	2025	2026
					aiyl kenesh for 19,000 population	aiyl kenesh for 45,000 population	aiyl kenesh for 64,000 population		

ADB = Asian Development Bank, ARIS = Community Development and Investment Agency, BFM: Beneficiary Feedback Mechanism, DL = disbursement-linked indicator, WSU = water supplies and utilities services entity established and operating in accordance with laws of Kyrgyz Republic, MYP = Multi-Year Procurement Plan of Action.

Source: Asian Development Bank and Community Development and Investment Agency.

SCHEDULE 4

Execution of Program

Implementation Arrangements

1. The Borrower shall ensure, and shall cause the Program Executing Agency and the Program Implementing Agency to ensure, that the Program is implemented in accordance with the detailed arrangements set forth in the PID. Any subsequent change to the PID shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PID and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

2. The Borrower, through the Program Executing Agency and the Program Implementing Agency, ensure that the amount of Eligible Expenditures under the Program for any FY is equal to or exceeds the Loan proceeds withdrawn by the Borrower in the same FY. Such Eligible Expenditures are part of the expenditures incurred under SDWSSSS, but they exclude any expenditures for (a) procurement of works, goods and services from countries which are not members of ADB; (b) procurement of works, goods and services from persons or entities debarred or suspended by ADB; (c) procurement involving High-Value Contracts; (d) any activities which are classified as category A for environmental impact under the SPS; and (e) any activities which are prohibited investment activities provided in Appendix 5 of the SPS.

Independent Verification Agent

3. Within 240 days of the Effective Date, the Borrower, through DDWSSD, shall have entered into an agreement with an independent verification agent, acceptable to ADB.

DLI Compliance and Program Dialogue

4. The Borrower shall ensure that all DLIs achieved under the Program continue to be complied with for the duration of SDWSSSS.

5. The Borrower shall keep ADB informed of relevant discussions with other multilateral or bilateral aid agencies that may have implications for the implementation of SDWSSSS and shall provide ADB with an opportunity to comment on any resulting proposals. The Borrower shall give due consideration to ADB's views before finalizing and implementing any such proposal.

Program Technical Aspects

6. The Borrower shall ensure, or cause the Program Implementing Agency to ensure, that all Program Actions in the area of technical requirements are implemented in a timely and efficient manner.

Fiduciary

7. The Borrower shall ensure, or cause the Program Implementing Agency to ensure, that all Program Actions in the area of financial management and fiduciary are implemented in a timely and efficient manner.

Procurement

8. The Borrower shall ensure, or cause the Program Implementing Agency to ensure, that all Program Actions in the area of procurement are implemented in a timely and efficient manner.

Procurement Manual

9. The Borrower shall ensure that ARIS has the Procurement Manual in place for institutional strengthening and improving procurement practices.

Environmental and Social Safeguards

10. The Borrower shall ensure, or cause the Program Implementing Agency to ensure, that all Program Actions in the area of environmental and social safeguards are implemented in a timely and efficient manner.

11. The Borrower shall ensure, or cause the Program Implementing Agency to ensure, that no construction or rehabilitation works under the Program involve significant adverse environmental impacts that may be classified as category A under the SPS. Prior to commencing any construction or rehabilitation works under the Program, the Borrower shall conduct, or cause the Program Implementing Agency to conduct, a screening to ensure that any works that may be classified as category A for environment impacts within the meaning of SPS are excluded from the Program.

12. Additionally, the Borrower shall ensure, or cause the Program Implementing Agency to ensure, that before any activities are approved for financing under the Program, the following conditions are met relating to limiting asbestos use under the prohibited investment activities provided in Appendix 5 of the SPS: (a) an assessment is conducted on the existing structures that need to be demolished or removed to evaluate the risk of asbestos presence; and (b) a screening of procurement procedures be conducted to ensure that asbestos-containing materials are not used or financed under the Program (except for the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20% as provided under the prohibited investment activities provided in Appendix 5 of the SPS).

13. The Borrower shall ensure, or cause the Program Implementing Agency to ensure, that the preparation, design, construction, implementation, operation and decommissioning of all activities under the Program comply with: (a) all applicable laws, regulations and guidelines of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the Program Action Plan.

14. The Borrower shall ensure, or cause the Program Implementing Agency to ensure, that the preparation, design, construction, implementation, operation and

decommissioning of all activities under the Program comply with: (a) all applicable laws and regulations of the Borrower relating to resettlement; (b) Involuntary Resettlement Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the Program Action Plan.

15. The Borrower shall ensure, or cause the Program Implementing Agency to ensure, that the Program does not involve any indigenous people risks or impacts within the meaning of the SPS. If due to unforeseen circumstances, the Program involves any such impacts, the Borrower shall ensure that the Program complies with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) Indigenous Peoples Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the Program Action Plan.

Gender

16. The Borrower shall ensure, or cause the Program Implementing Agency to ensure, that all Program Actions in the area of gender equality are implemented in a timely and efficient manner.

Financial Support for WSUs

17. The Borrower shall, through the local governments, allocate, separate from any tariff increases, through budgetary allocations or other means, counterpart funds on a timely basis to ensure that the WSUs have sufficient financial support for their operation and maintenance.

Good Governance and Anticorruption

18. The Borrower shall ensure, and shall cause the Program Executing Agency and the Program Implementing Agency to ensure, that the Program complies with the Anticorruption Guidelines and that all appropriate and timely measures are taken to prevent, detect and respond to allegations of fraud, corruption or any other prohibited activities relating to the Program in accordance with the Anticorruption Guidelines.

19. The Borrower shall, or cause the Program Executing Agency and the Program Implementing Agency to, (a) promptly inform ADB of any allegations of fraud, corruption or any other prohibited activities relating to the Program; and (b) cooperate fully with any investigation by ADB on such allegations and extend all necessary assistance, including providing access to all relevant records, for satisfactory completion of such investigation.

20. With 90 days of the Effective Date, the Borrower shall, or cause the Program Implementing Agency to update its public website to (a) provide information on the progress of the Program; (b) post the audited annual financial statements for the Program, as such financial statements become available; and (c) disseminate other relevant information on Program implementation.