

GRANT NUMBER 0020-KGZ(SF)

GRANT AGREEMENT
(Special Operations)
(Second Education Project)

between

KYRGYZ REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 5 NOVEMBER 2005

GRANT AGREEMENT (Special Operations)

GRANT AGREEMENT dated 5 November 2005 between KYRGYZ REPUBLIC (the "Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) ADB has agreed to provide a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

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 (the "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. The definitions set forth in the Grant Regulations are applicable to this Grant Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

- (a) "CPIU" means the central project implementation unit;
- (b) "MOE" means the Ministry of Education, Science and Youth Policy of the Recipient, and any successor thereto;
- (c) "NPSC" means the National Project Steering Council;
- (d) "NTTI" means the National Institute for Raising the Qualification of Teachers and Teacher Training under the Kyrgyz Academy of Education;
- (e) "oblast" means the main territorial administrative unit of the Recipient
- (f) "Project Executing Agency" for the purposes of, and within the meaning of, the Grant Regulations means MOE which is responsible for the carrying out of the Project;
- (g) "raion" means a sub-administrative unit of an oblast;

- (h) "RPIU" means a regional project implementation unit;
- (i) "RPSC" means a Regional Project Steering Council;
- (j) "RTIS" means the rural teacher incentive scheme; and
- (k) "TTI" means a teacher training institute at oblast level.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources on terms and conditions set forth in this Agreement an amount of fifteen million and five hundred thousand dollar (\$15,500,000).

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 goods and services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant among different categories of such goods and services and other items of expenditure shall be 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, all goods and services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 and Schedule 4 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of goods and services shall be made only on account of expenditures relating to

- (a) goods which are produced in and supplied from and 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 and services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2011 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 5 to this Grant Agreement.

Section 4.02. (a) The Recipient shall (i) maintain, or cause to be maintained, separate accounts for the Project, and prepare financial statements according to international accounting standards; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the 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 account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion 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 financed out of the proceeds of the Grant, and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. A date ninety (90) days after the date of this Grant Agreement is specified for the effectiveness of the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Economy and Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Economy and Finance
58 Erkindik Street
Bishkek 7200040
Kyrgyz Republic

Facsimile Numbers:

(996-3312) 661-645
(996-3312) 661-955

Telex: 245 156 NUR KH

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

(632) 636-2444
(632) 636-6911.

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 and to be delivered at the principal office of ADB, as of the day and year first above written.

KYRGYZ REPUBLIC

By /s/ KURMANBEK BAKIEV
President of the Kyrgyz Republic

ASIAN DEVELOPMENT BANK

By /s/ HARUHIKO KURODA
President

SCHEDULE 1

Description of the Project

1. The expected impact of the Project is the improvement of the general education system, which is responsive to the needs of a modern market-oriented economy and focused on poorer areas. The expected outcome of the Project is increased enrollment in primary and general secondary education in poorer areas of the country, and student performance raised.

2. The Project consists of three components as follows:

Component A: Modernizing the Curriculum and Learning Assessment

This component will consist of three subcomponents as follows:

(i) Modernizing the Curriculum and Developing New Learning Materials.

This subcomponent will:

- (a) develop a curriculum that will support improvement of student's higher order cognitive and problem solving skills;
- (b) support development in phases of textbooks and learning materials for grades 1 to 11 or 12;
- (c) develop, produce, and supply a new generation of textbooks and teacher guides to cover grades in primary school; and
- (d) support external training of subject specialists and senior education officials in curriculum and learning assessment development and in-country training of trainers.

(ii) Modernizing Learning Assessment

This subcomponent will:

- (a) develop and implement a clear policy, assessment standards and regulations for each subject and grade on formative and summative classroom assessment systems; and
- (b) training of subject specialists, and senior education officials in learning assessment development and training of trainers, teachers, school principals, and representatives of TTIs.

(iii) Raising Public Awareness on the New Curriculum and Learning Assessment

This subcomponent will support

- (a) public awareness campaigns to support public acceptance and stakeholder understanding of the new curriculum, textbooks, learning materials, learning assessment, and teacher incentives; and
- (b) training of teachers involved in inclusive education activities.

Component B: Strengthening the Teaching Profession

This component will consist of two subcomponents as follows:

- (i) Strengthening the In-Service Teacher Training.

This subcomponent will

- (a) strengthen in-service training of teachers and principals to build capacity to implement the new curriculum, textbooks and learning materials, learning assessment systems and upgrade teachers' professional skills, and
- (b) provide the NTTI and each of the seven TTIs with a computer classroom, language laboratory, classroom furniture, and teaching and learning materials.

- (ii) Incentives for Rural Teachers

This subcomponent will provide financial support to rural teachers through a RTIS designed to attract and retain teachers in rural schools.

Component C: Improving Participation and Quality in Rural Schools

This component will support (i) the upgrading and rehabilitation of 90 schools; (ii) the provision of classroom and library furniture, a computer classroom with 13 computers, a language laboratory with 15 stations, audiovisual equipment, and learning aids; and (iii) management of the Project through the CPIU and RPIUs.

- 3. Consulting services will also be provided under the Project.
- 4. The Project is expected to be completed by 31 December 2010.

SCHEDULE 2**Allocation and Withdrawal of Grant Proceeds**General

1. The table attached to this Schedule sets forth the Categories of goods, services and other items to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Taxes

2. No withdrawals from the Grant Account shall be made in respect of any local taxes.

Percentages of ADB Financing

3. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Grant on the basis of the percentages set forth in the Table.

Reallocation

4. Notwithstanding the allocation of Grant proceeds 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, by notice to 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 then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Recipient shall establish immediately after the Effective Date, an imprest account at a commercial bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Recipient and ADB. The initial amount to be deposited into the imprest account shall not exceed \$500,000.

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(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Recipient and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed \$50,000. The Recipient may make withdrawals from the imprest account for staff costs of the CPIU and the RPIUs, training, seminars and studies, equipment and materials procured locally, domestic consultants, and civil works contracts procured under the local competitive bidding procedure.

Retroactive Financing

6. Withdrawals from the Grant Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than 16 May 2005, in connection with office equipment and a vehicle for the CPIU, office equipment for the curriculum writing groups, and recruitment of staff for CPIU and RPIUs, subject to a maximum amount of \$100,000.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Second Education Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated		Basis of withdrawal from Grant Account Percentage of Total*
		Category	\$ Subcategory	
1	Civil Works	6,300,000		100
2	Equipment and Vehicles	2,695,000		
2A	Equipment		2,620,000	100
2B	Vehicles		75,000	100
3	Learning Materials (production of textbooks, teacher guides and training materials)	1,299,000		100
4	Staff Development	434,000		
4A	Foreign Development		380,000	100
4B	Local Development		54,000	6
5	Consulting Services	2,117,000		100
6	Research Studies	75,000		100
7	Special Program (RTIS)	527,000		100
8	Incremental Recurrent Cost	210,000		
8A	CPIU and RPIUs staff		134,000	100
8B	Administrative Support and Operation		76,000	34
9	Unallocated	1,843,000		
	Total	15,500,000		

*excluding local taxes

SCHEDULE 3

Procurement

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of goods and services to be financed out of the proceeds of the Grant. In this Schedule and the Attachment hereto, the term "goods" includes equipment and materials; the term "services" does not include consulting services.

2. Procurement of goods and services shall be subject to the provisions of the "Guidelines for Procurement under Asian Development Bank Loans" dated November 2004 (hereinafter called the Guidelines for Procurement), as amended from time to time, which have been furnished to the Recipient.

3. Procurement of goods and services shall be made without any restriction against, or preference for, any particular supplier or contractor or any particular class of suppliers or contractors, except as otherwise provided in paragraph 5 below.

International Competitive Bidding

4. (a) Each civil works contract estimated to cost the equivalent of more than \$1,000,000 and each supply contract for equipment or materials estimated to cost the equivalent of more than \$500,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement.

(b) For contracts to be awarded on the basis of international competitive bidding, there shall be submitted to ADB, as soon as possible, and in any event not later than 90 days before the issuance of the first invitation to bid for the Project, a General Procurement Notice (which ADB will arrange to publish separately) in such form and detail and containing such information as ADB shall reasonably request. ADB shall be provided the necessary information to update such General Procurement Notice annually as long as any goods and works remain to be procured on the basis of international competitive bidding.

(c) For contracts to be awarded on the basis of international competitive bidding, procurement actions shall be subject to review by ADB in accordance with the procedures set forth in Chapter IV of the Guidelines for Procurement. Each draft invitation to bid, to be submitted to ADB for approval under such procedures, shall reach ADB at least 21 days before it is issued and shall contain such information as ADB shall reasonably request to enable ADB to arrange for the separate publication of such invitation.

Domestic Preference

5. In comparing bids under international competitive bidding, a margin of preference may be provided, at the option of the Recipient and in accordance with the provisions of the Attachment to this Schedule, for

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(a) goods manufactured in the territory of the Recipient, provided that the bidder offering such goods shall have established to the satisfaction of the Recipient and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods; and

(b) civil works to be carried out by eligible domestic contractors, as defined by ADB.

Local procurement

6. A civil work contract estimated to cost the equivalent of \$1,000,000 or less may be awarded on the basis of local competitive bidding among contractors in accordance with the standard procurement procedures of the Recipient and acceptable to ADB.

(a) For the first contract to be awarded on the basis of local competitive bidding, selection and engagement of contractors shall be subject to the approval of ADB. As soon as the bids received have been evaluated, the proposal for award of contract shall be submitted to ADB for approval. For this purpose, ADB shall be furnished with three copies of (i) an account of the public opening of bids; (ii) a summary and evaluation of the bids; (iii) the proposal for award; and (iv) a draft contract or a draft letter of acceptance. Promptly after each contract is awarded, ADB shall be furnished with three copies of the contract as executed.

(b) For the subsequent contracts, bid evaluation and award of contracts shall be subject to post review by ADB.

7. Each supply contract for equipment or materials estimated to cost the equivalent of \$500,000 or less (other than minor items estimated to cost \$100,000 or less) may be awarded on the basis of local competitive bidding in accordance with the standard procurement procedures of the Recipient and acceptable to ADB.

(a) Selection and engagement of suppliers shall be subject to the approval of ADB for the first procurement exercise. After award, three copies of each contract for such items shall be furnished to ADB.

(b) Subsequent procurements shall be subject to post review by ADB.

Direct procurement

8. Equipment and materials estimated to cost, in the aggregate, the equivalent of \$100,000 or less, may be procured directly from the manufacturers of the original equipment and the suppliers or their agents. Prior to such procurement, a list of individual items to be procured, an estimate of their costs, an indication of potential sources of supply and any related documents shall be submitted to ADB for approval. After award, three copies of each contract for such items shall be furnished to ADB.

Industrial or Intellectual Property Rights

9. (a) The Recipient shall ensure that all ADB-financed goods and services 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 ADB-financed contracts for the procurement of goods and services 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.

Preference for Domestically Manufactured Goods

1. In the procurement of goods through international competitive bidding, goods manufactured in the territory of the Recipient may be granted a margin of preference in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Recipient and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

- (a) For application of domestic preference, all responsive bids shall first be classified into the following three categories:

Category I -- bids offering goods manufactured in the territory of the Recipient which meet the minimum domestic value added requirement;

Category II -- bids offering other goods manufactured in the territory of the Recipient; and

Category III -- bids offering imported goods.

- (b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods.
- (c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I or Category II is found to be the lowest, it shall be selected for the award of contract.

- (d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category III, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category III by adding either
 - (i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such Category III bid; or
 - (ii) 15 percent of the CIF bid price of such goods if the customs duties and import taxes referred to above exceed 15 percent of the CIF bid price.

If, after such further comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category III shall be selected for the award.

2. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference, including the minimum domestic value added.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

Domestic Preference for Turnkey Contracts and
Supply-and-Installation Contracts

3. In single-responsibility turnkey (including design-build) contracts and supply-and-installation contracts for large and complex packages, procured through international competitive bidding and in which discrete items of goods are grouped into one contract package and where the CIF cost of goods to be used for or in the permanent works under such contracts is estimated, prior to bidding, to equal or exceed 60 percent of the total cost of such works, a margin of preference shall be applied to the domestically manufactured goods in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Recipient and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

- (a) The margin of preference shall not be applied to the whole package but only to the domestically manufactured goods within the package.
- (b) Goods offered from outside the territory of the Recipient shall be quoted CIF and goods offered domestically shall be offered ex-factory or ex-works (free of sales and similar taxes).
- (c) All other cost components, such as design as well as works installation and supervision, shall be quoted separately.
- (d) In the comparison of bids (which should not be classified into Categories I, II or III as with the domestic preference for goods), only the CIF price in each bid of the goods offered from outside the territory of the Recipient shall be increased by the applicable duty and other taxes payable by a nonexempt importer or by 15 percent, whichever is less.
- (e) If duties vary from item to item within a package, the appropriate tariff for each item shall apply.
- (f) No margin of preference shall be applied to any associated services or works included in the package.
- (g) Bidders will not be permitted or required to modify the mix of domestic and foreign goods after bid opening.

4. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

Preference for Domestic Contractors

5. In the selection of civil-works contractors, single-responsibility turnkey (including design-build) contractors or supply-and-installation contractors where the CIF cost of goods to be used for or in the permanent works under such contracts is less than 60 percent of the total cost of such works, eligible domestic contractors, as defined below, through international competitive bidding may be granted a margin of preference in accordance with the following provisions.

- (a) For application of domestic preference, all responsive bids shall first be classified into the following two categories:

Category I -- bids offered by domestic contractors and joint ventures eligible for the preference in accordance with the applicable criteria as set forth in paragraph 6 below; and

Category II -- bids offered by other contractors.

- (b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves.
- (c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I is found to be the lowest, it shall be selected for the award of contract.
- (d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category II, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category II by adding an amount equal to seven-and-one-half percent of the bid price. If, after such comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category II shall be selected.

6. (a) To be eligible for the preference set forth in paragraph 5 above, domestic contractors must meet the following criteria:

- (i) firms are registered in the territory of the Recipient;
- (ii) firms have majority ownership by nationals of the Recipient; and
- (iii) firms will not subcontract more than 50 percent of the total value of their work to foreign contractors.

(b) A joint venture between a domestic contractor and its foreign partner shall be eligible for the preference only if it meets the following criteria:

- (i) the domestic partner(s) is individually eligible for the preference according to the criteria stated above;
- (ii) the domestic partner(s) would not qualify for the contract works on technical or financial grounds without the foreign participation; and
- (iii) the domestic partner(s) will, under the arrangements proposed, carry out at least 50 percent of the contract works measured in terms of value.

(c) Contractors applying for the preference shall be required to provide, as part of the data for qualification, necessary information, including details of ownership, for determining whether, according to the applicable criteria, a particular firm or group of firms qualifies for the preference.

7. The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of firms for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above. Bidders applying for the preference shall provide such additional information in support of such eligibility as may be requested by the Recipient and ADB.

SCHEDULE 4**Consultants**

1. The services of consultants shall be utilized in the carrying out of the Project, particularly with regard to:

- (a) policy research and evaluation;
- (b) curriculum and learning materials design;
- (c) learning assessment;
- (d) teacher training;
- (e) procurement;
- (f) finance;
- (g) civil engineering;
- (h) project management;
- (i) accounting;
- (j) monitoring and evaluation; and
- (k) translation.

The terms of reference of the consultants shall be as determined by agreement between ADB and the Recipient.

2. The selection, engagement and services of the consultants shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by Asian Development ADB and Its Borrowers" dated January 2005 (hereinafter called the Guidelines on the Use of Consultants), as amended from time to time, which have been furnished to the Recipients and MOE.

3. Except as otherwise provided in paragraph 4 below, the consultants shall be selected and engaged as a firm by MOE using the quality-and-cost-based selection (QCBS) method in accordance with the following procedures.

(a) Invitation for technical and financial proposals. The invitation to submit technical and financial proposals (hereinafter called the Request for Proposals or RFP) and all related documents shall be approved by ADB before they are issued. For this purpose, three copies of the draft RFP, the names of consultants to be short-listed, the proposed criteria for evaluation of both proposals, a draft consultancy contract, and other related documents shall be submitted to ADB. A period of at least 35 days shall be allowed for submission of both proposals. A copy of the final RFP as issued, together with all related documents, shall be furnished to ADB for information promptly after issuance. The validity

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period for the technical and financial proposals as provided in the RFP shall usually not exceed three months from the date specified for submission of the technical and financial proposals. The approval of ADB shall be obtained for any request to extend such validity period. Except as ADB may otherwise agree, the validity period, including any extensions, shall not exceed a maximum total period of six months. If the contract is not signed within the validity period in accordance with the Guidelines on the Use of Consultants, the selection shall be invalid and the selection and engagement process as provided in this paragraph shall be followed again.

(b) Evaluation and scoring of technical proposals. Immediately after the technical proposals have been evaluated and scored, approval of ADB shall be obtained to the evaluation and scoring of the technical proposals. For this purpose, ADB shall be furnished with three copies of the technical proposals.

(c) Public opening of financial proposals. The financial proposals of the firms whose technical proposals meet the minimum qualifying technical score shall be opened publicly after adequate notice is given to such firms or their representatives to attend the opening of the financial proposals.

(d) Evaluation and scoring of financial proposals and ranking of technical and financial proposals. After the financial proposals have been evaluated and scored, the ranking of the technical and financial proposals shall be made. Before negotiations are started with the first-ranked consultants, approval of ADB shall be obtained to the evaluation and scoring of the financial proposals and the ranking of the technical and financial proposals. For this purpose, ADB shall be provided with three copies of (i) the evaluation and scoring of the financial proposals and (ii) the ranking of the technical and financial proposals.

(e) Execution of contract. After the conclusion of negotiations but before the signing of the contract, ADB shall be furnished with the contract as negotiated for approval. Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

4. Consultants to be recruited for the CPIU and the RPIUs shall be recruited on an individual basis by MOE in accordance with the following procedures.

(a) A list of the candidates together with their qualifications and their ranking and a draft contract shall be furnished to ADB for approval before the selection of consultants.

(b) Promptly after the contract is signed, ADB shall be furnished with the evaluation of the candidates and a brief justification for the selection, together with three copies of the signed contract.

(c) If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

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5. 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.

SCHEDULE 5

Execution of Project; Financial Matters

I. Project Execution and Implementation Arrangements

Project Executing Agency

1. MOE shall be the Project Executing Agency.

National Project Steering Council and Regional Project Steering Councils

2. A NPSC, chaired by the Vice Prime Minister responsible for social sectors, shall be established and shall include representatives from MOE, Ministry of Economy and Finance, Ministry of Labor and Social Affairs, the President's Administration, the Prime Minister's Office, and the Parliamentary Committee on Social Policy. The NPSC shall meet quarterly, and more often if required. The NPSC shall provide overall strategic guidance, monitor implementation of the Project and the Rural Education Project of the World Bank, and ensure donor coordination. The First Deputy Minister of the MOE shall be appointed as project director and shall coordinate overall implementation of Project activities. Two RPSCs shall be established to guide and monitor implementation of the Project activities at oblast levels.

Central Project Implementation Unit and Regional Project Implementation Units

3. A CPIU shall be established at MOE and shall be responsible for the overall implementation of the Project activities and for the direct implementation of the activities in Chui and Talas oblasts. Two RPIUs shall be established and shall be responsible for implementation of Project activities at the oblast level. One RPIU shall cover implementation of Project activities in the southern oblasts (Osh, Jalal-Abad, Batken) and the other RPIU shall cover implementation of Project activities in Naryn and Issyk-Kul oblasts. The CPIU shall be (i) staffed by domestic consultants, including a project manager, a procurement specialist, a finance manager, an accountant, an administrative assistant, and an interpreter; and (ii) also assisted by domestic consultants on teacher training and learning materials, curriculum and learning assessment, monitoring and evaluation, civil works and equipment. The two RPIUs shall each be staffed with domestic consultants, including a regional PIU coordinator, an accountant, an assistant, a civil works and equipment specialist, and a driver. Each RPIU manager shall report directly to the project manager at CPIU and shall provide quarterly and annual progress reports to the CPIU. The RPIUs offices shall be located in the oblast education departments in Osh and Karakol respectively.

Coordination between the Project and the Rural Education Project of the World Bank

4. NPSC and the Project director shall ensure policy coordination between the Project and the Rural Education Project financed by the World Bank. The CPIU and the project implementation unit of the Rural Education Project financed by the World Bank shall have office space in close premises at MOE, and shall agree on a unified salary scale for the staff of the CPIU, the RPIUs and the project implementation unit for the Rural Education Project financed by the World Bank. The scope for closer integration shall be reviewed within one year after the Effective Date.

II. Project Related Matters

Counterpart Funds

5. The Recipient shall allocate in a timely manner adequate budget funding for (i) its share of local costs in support of training programs for teachers and school directors, and learning materials; (ii) government counterpart staff salaries; (iii) incremental recurrent costs for operation and maintenance of all schools, NTTI and TTIs rehabilitated or supported under the Project; and (iv) replacement capital costs for computer equipment to be procured, four to five years after initial procurement of such equipment.

6. Prior to tendering of civil works or provision and installation of equipment, concerned local administrations shall commit in writing to provide budgetary resources for operation and maintenance costs of schools and TTIs supported under the Project.

Financing the Education Sector

7. The Recipient shall endeavor to maintain annual expenditure for education sector activities during Project implementation at not less than 4.5% of gross domestic product, in line with the Recipient's medium-term budget framework. In this connection, the Recipient shall annually provide ADB with information on allocations and actual expenditure for the education sector.

Curriculum and Learning Assessment

8. Within 12 months of the Effective Date, MOE shall review the results of the policy study on introducing a 12-year general education system, and shall make a recommendation to the Recipient regarding the introduction of a 12-year system.

9. MOE shall establish the national curriculum writing groups, based on competitive selection, and ensure the provision of adequate budgetary funds for these writing groups, by October 2005.

10. The Recipient shall approve a new curriculum for primary school by year 2, basic secondary school by year 3, and upper secondary school by year 4 of Project implementation based on the review of the new curriculum prepared by the national curriculum writing groups. Within 24 months of the Effective Date, the MOE shall adopt a written policy on teachers' training standards, and professional requirements at different levels shall be adopted in synchronization with the adoption of the new curriculum.

Rural Teacher Incentive Scheme

11. The Recipient shall continue its policy of strengthening teacher incentives, to ensure that the teaching profession is made more attractive and that adequate numbers of qualified teachers are attracted to teaching positions in rural and remote areas. The Recipient shall progressively increase teacher salaries by at least 15% each year during Project implementation.

Schedule 5

12. Within 6 months of the Effective Date, the Recipient shall prepare a time-bound action plan, detailed criteria and implementation mechanisms and procedures for the RTIS, acceptable to ADB. The RTIS shall provide for the transfer of not less than Som2,000 every month per teacher, selected to work in rural schools under the RTIS, to a special deposit account for a period of at least 3 years. In addition to support for the RTIS provided under the Grant, the Recipient shall provide RTIS funding for at least 200 additional teachers annually from budget funds.

13. MOE shall include detailed information on the implementation of the RTIS in the quarterly progress reports submitted to ADB, including the number of teachers covered, their subject areas, and the schools to which they are assigned. The implementation of the RTIS shall be reviewed periodically, and necessary amendments may be agreed between ADB and the Recipient. The Recipient shall undertake a comprehensive review of the functioning of the RTIS in connection with the midterm review, which may serve as the basis for necessary adjustments. Prior to completion of the 3-year pilot phase of the RTIS, the Recipient shall review the measures necessary to ensure sustainability of its impact, including continuation of the scheme under budget financing until the schools are staffed with teachers.

Training

14. Within 6 months of the Effective Date, MOE and CPIU shall prepare selection criteria for external training on curriculum development and learning materials, learning assessment, and a list of candidates and submit the same to ADB for approval.

15. CPIU shall provide ADB with (i) a list of the nominated candidates for training, (ii) the proposed training institutions, and (iii) a detailed costing of the proposed courses. The external training institutions shall be selected based on the competitive submission of training proposals. In-country training shall be held at TTIs or other relevant training institutions, selected on a competitive basis. The education specialists who shall be selected for external training shall have current teaching experiences in schools.

16. The Recipient shall require that each participant in external training program enters into a contract with the Recipient under which the participant commits to work for a government institution for at least 3 years upon completion of the external training, or reimburses the full cost of the external training provided under the Project, if the participant fails to work for a government institution as provided under such contract.

Project Performance Monitoring and Evaluation

17. During Project implementation, the Recipient shall measure, with the necessary frequency, monitoring indicators agreed with ADB. The Recipient shall incorporate comments and findings on these indicators in every quarterly report to ADB. The Recipient shall also measure indicators for project evaluation at Project completion and 3 years after Project completion. Where feasible and appropriate, these data should be disaggregated by gender. At Project inception, completion, and 3 years after Project completion, MOE shall submit to ADB a report that summarizes the key findings of monitoring and evaluation of changes that occurred in the 3 preceding years.

Schedule 5

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

Project Review

19. ADB and the Recipient shall jointly review Project implementation twice annually. The reviews will assess progress under each component, identify issues and constraints, and determine necessary remedial action and adjustments. A comprehensive midterm review of Project performance will be conducted at the end of third year of implementation. The midterm review shall (i) review the scope, design, and implementation arrangements of the Project; (ii) identify any changes required since the time of the Project appraisal; (iii) assess progress of Project implementation against performance indicators; (iv) establish compliance with the covenants of this Grant Agreement; and (v) if necessary, recommend changes in the design or implementation arrangements.

Land Acquisition - Resettlement

20. The Recipient shall ensure that the Project will not entail any land acquisition and/or resettlement.

Other Matters

21. Within 12 months of the Effective Date and prior to provision and installation of computer and language laboratory equipment, the Recipient shall ensure that all schools, NTTI and TTIs provided with computer equipment shall have at least one qualified computer/informatics teacher, and that all schools and TTIs provided with language laboratory equipment shall have at least one qualified foreign language teacher.

22. Within 12 months of the Effective Date and prior to provision and installation of computer equipment the Recipient shall ensure that security arrangements (steel doors, burglar bars on windows) are in place in computer classrooms of the Project schools.

23. Learning materials, including textbooks, shall be provided nationwide under the textbook rental scheme, including full provision of textbooks to children whose families cannot afford to pay the textbook rental fee.

24. The Recipient shall include the relevant sections of ADB's anticorruption policy in all documents and contracts during bidding for and implementation of the Project.

25. In addition to textbooks and learning materials in Kyrgyz and Russian languages, the Recipient shall provide textbooks and learning materials in Uzbek and Tajik languages.