
GRANT NUMBER 0120-KGZ(SF)

GRANT AGREEMENT
(Special Operations)

(Investment Climate Improvement Program – Subprogram 1)

between

KYRGYZ REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 24 November 2008

LPS: KGZ 41544

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 24 November 2008 between KYRGYZ REPUBLIC ("the Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Recipient a development policy letter dated 6 October 2008 (the "Policy Letter"), setting forth its Investment Climate Improvement Program (the "Program Cluster"), as described in Schedule 1 to this Grant Agreement;

(B) the Recipient has applied to ADB for a grant for the first subprogram under the Program Cluster ("Subprogram 1"), as also described in Schedule 1 to this Grant Agreement;

(C) the Recipient has also applied to ADB for a grant to provide systems in support of the Program Cluster (the "ICIP System Support Project"), and by a grant agreement of even date herewith ADB has agreed to provide to the Recipient a grant from its Special Funds resources in the amount of two million nine hundred thousand Dollars (\$2,900,000) for the ICIP System Support Project (the "Project Grant Agreement");

(D) the Recipient has also applied to ADB for advisory technical assistance with the implementation of the Program Cluster, and by a letter of even date herewith, ADB has agreed to provide to the Recipient a grant from ADB's technical assistance funding program in the amount of six hundred thousand Dollars (\$600,000) for that purpose (the "Advisory TA");

(E) ADB has, on the basis inter alia of the foregoing, 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 the 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, subject, however, to the following modifications:

- (a) Section 2.01(15) is deleted and the following is substituted therefor:

24. The term "Program" means Subprogram I, for which ADB has agreed to make the Grant, as described in the Grant Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Recipient.

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

- (c) Section 2.01(17) is deleted and the following is substituted therefor:

26. The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Grant Agreement.

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

- (e) Section 5.01(a) is deleted and the following is substituted therefor:

(a) Subject to any conditions or restrictions specified in the Grant Agreement, the Recipient shall be entitled to withdraw from the Grant Account such amounts as shall be required to meet payments for expenditures required for the Program and to be financed under the Grant Agreement.

Section 1.02. The terms defined in the Grant Regulations are incorporated into this Grant Agreement, unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "Advisory TA" has the meaning given thereto in Recital (D) of this Grant Agreement;

(b) "Counterpart Funds" means the Som proceeds accruing to the Recipient and generated from the Grant proceeds under the Program;

(c) "CPA" means each and any of the core policy areas of the Program Cluster described in paragraph 1 of Schedule 1 to this Grant Agreement;

(d) "Deposit Account" means the account referred to in paragraph 4 of Schedule 2 to this Grant Agreement;

(e) "Eligible Items" means the goods imported under the Program (except those specifically excluded pursuant to the Attachment to Schedule 2 to this Grant Agreement), the foreign exchange costs of which are eligible for financing out of the proceeds of the Grant;

(f) "ICIP System Support Project" has the meaning given thereto in Recital (C) of this Grant Agreement;

- (g) “MEDT” means the Ministry of Economic Development and Trade of the Recipient;
- (h) “MIEFR” means the Ministry of Industry, Energy and Fuel Resources of the Recipient;
- (i) “MOF” means the Ministry of Finance of the Recipient;
- (j) “MOJ” means the Ministry of Justice of the Recipient;
- (k) “MOTC” means the Ministry of Transport and Communications of the Recipient;
- (l) “NBKR” means the National Bank of the Recipient;
- (m) “PCSW” means the pre-customs single window to be developed and implemented under the Program;
- (n) “Policy Letter” has the meaning given thereto in Recital (A) of this Grant Agreement;
- (o) “Policy Matrix” means the policy matrix referred to in the Policy Letter, comprising, inter alia, the Prior Actions;
- (p) “PPP” means public private partnership(s);
- (q) “Prior Action” means each and any of the prior actions for Subprogram 1 as described in Schedule 5 to this Grant Agreement;
- (r) “Program Cluster” has the meaning given thereto in Recital (A) to this Grant Agreement;
- (s) “Program Executing Agency”, for the purposes and within the meaning of the Grant Regulations, means MEDT or any successor thereto acceptable to ADB;
- (t) “Project Grant Agreement” has the meaning given in Recital (C) of this Grant Agreement;
- (u) “PSC” means the program steering committee referred to in paragraph 4 of Schedule 4 to this Grant Agreement;
- (v) “PWG” means the program working group referred to in paragraph 3 of Schedule 4 to this Grant Agreement;
- (w) “Som” means the currency of the Recipient; and
- (x) “Subprogram 1” has the meaning given thereto in Recital (B) of this Grant Agreement.

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 Grant Agreement an amount of twelve million five hundred thousand Dollars (\$12,500,000).

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 Program in accordance with the provisions of this Grant Agreement.

Section 3.02. The proceeds of the Grant may be withdrawn from the Grant Account only for the purposes of financing expenditures incurred for Eligible Items under the Program 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 Eligible Items to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account shall be made only on account of expenditures relating to Eligible Items which:

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

Section 3.05. Except as ADB may otherwise agree, no withdrawals shall be made from the Grant Account in respect of expenditures for Eligible Items incurred more than one hundred and eighty (180) days prior to the Effective Date.

Section 3.06. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2009 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 Program, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant Agreement.

Section 4.02. (a) The Recipient shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Grant and to record the progress of the Program.

(b) The Recipient shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.03. (a) As part of the reports and information referred to in Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the Counterpart Funds and the use thereof; and (ii) the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the Project Grant Agreement shall have been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient, and become legally binding upon the Recipient in accordance with its terms, subject only to the effectiveness of this Grant Agreement.

Section 5.02. The following is specified as an additional matter, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB: the Project Grant Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient, and is legally binding upon the Recipient in accordance with its terms, subject only to the effectiveness of this Grant Agreement.

Section 5.03. A date thirty (30) 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 Economic Development and Trade 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

Minister of Economic Development and Trade
Chui Avenue 106
Bishkek 720002, Kyrgyz Republic

Facsimile Number:

(996 312) 66 1837.

For ADB

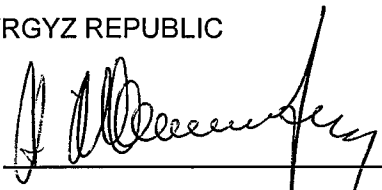
Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

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

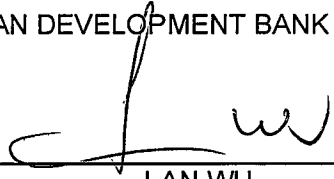
IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

KYRGYZ REPUBLIC

By  _____

Authorized Representative

ASIAN DEVELOPMENT BANK

By  _____

LAN WU
Country Director
Kyrgyz Resident Mission

SCHEDULE 1

Description of the Program

1. The principal objective of the Program Cluster is to improve the investment climate in the Kyrgyz Republic by reducing entry and exit barriers and compliance costs (CPA 1), improving access to finance (CPA 2), and increasing private sector participation in infrastructure development through PPP (CPA 3). The Program Cluster is described in more detail in the Policy Letter. The Program Cluster will be implemented through a cluster of three subprograms, the first of which is Subprogram 1.

2. Subprogram 1 requires that the Recipient completes the following actions:

For CPA 1: (i) certain executive and legislative actions to simplify business registration and deregistration procedures; (ii) adoption of laws and regulations to strengthen transparency and accountability in business licensing and inspection procedures; and (iii) adoption of a blueprint for the introduction of a single electronic window for all export and import clearances.

For CPA 2: (i) certain legislative proposals to strengthen the rights of secured creditors and lessors; (ii) certain legislative actions to improve the fiscal environment for financial leasing products; and (iii) initial legislative action towards developing efficient mechanism for credit information collection and sharing.

For CPA 3: (i) certain policy initiatives and executive actions towards establishing a regulatory and institutional framework for PPP development; (ii) energy sector reform, and (iii) identification of suitable pilot projects.

3. In support of Subprogram 1:

(a) the proceeds of the Grant shall be used to finance the foreign exchange costs of Eligible Items; and

(b) the Counterpart Funds shall be used to finance the local currency costs relating to the implementation of certain programs and other activities consistent with the objectives of the Program, in accordance with paragraph 12 of Schedule 4 to this Grant Agreement.

4. The proceeds of the Grant are expected to be utilized by 30 June 2009.

SCHEDULE 2

Allocation and Withdrawal of Grant Proceeds

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Grant proceeds from the Grant Account.

2. (a) The withdrawal from the Grant Account shall be made for the financing of the cost of Eligible Items.

(b) The withdrawal from the Grant Account shall not be made in respect of any expenditures which have been financed by credits from official international or bilateral aid agencies or any other grants or loans made by ADB.

3. (a) An application for withdrawal from the Grant Account shall be submitted to ADB by the Recipient and shall be in a form satisfactory to ADB.

(b) Such withdrawal application shall be accompanied by a certificate of the Recipient confirming that (i) if the proceeds of the Grant will finance imports already made, the value of Eligible Imports in the period concerned exceeded the amount of the requested withdrawal, or (ii) if the proceeds of the Grant will finance items to be imported, the value of Eligible Imports in the immediately preceding one-year period was equal to or greater than the amount of the requested withdrawal plus all other amounts expected to be withdrawn from the Grant Account during the succeeding one-year period.

(c) For the purposes of this paragraph, the term "Eligible Imports" means the total imports of the Recipient during the relevant period minus the following imports during the same period:

- (i) imports from countries which are not members of ADB;
- (ii) imports for ineligible items specified in the Attachment to this Schedule; and
- (iii) imports financed from credits from official international or bilateral aid agencies or any other loans or grants made by ADB.

(d) The Recipient shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Recipient has certified the value of Eligible Imports in its withdrawal application.

4. (a) Prior to submitting to ADB the application for withdrawal from the Grant Account, the Recipient shall nominate an account (the "Deposit Account") at NBKR into which the withdrawal from the Grant Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Recipient shall have the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

(c) Throughout the Program implementation period, the Recipient shall submit trade statistics and any other information as ADB may require from time to time to assess the Recipient's compliance with the formula for determining Eligible Imports.

5. Notwithstanding any other provision of this Grant Agreement, no disbursements shall be made from the Grant Account until the Recipient has provided evidence satisfactory to ADB, that all Prior Actions have been completed. The Grant proceeds shall be disbursed in a single tranche upon written confirmation from ADB that it has received such evidence.

Negative List

No withdrawals will be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Recipient:

Table A12: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

- (ii) expenditures in the currency of the Recipient or of goods supplied from the territory of the Recipient;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party; and
- (vii) expenditures on account of any payment prohibited by the Recipient in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

SCHEDULE 3

Provisions on Procurement and Consulting Services

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of Eligible Items to be financed out of the proceeds of the Grant.

2. (a) Except as provided in subparagraph (b) of this paragraph, each contract for Eligible Items shall be awarded on the basis of either the purchaser's normal commercial procurement practices, in the case of procurement by the private sector, or the Recipient's prescribed procurement procedures, in the case of procurement by the public sector, having due regard for the principles of economy and efficiency.

(b) Each supply contract for Eligible Items which are commonly traded commodities shall be awarded on the basis of procedures appropriate to the trade and acceptable to ADB.

SCHEDULE 4

Program Implementation and Other Matters

Implementation Arrangements

1. The Recipient shall ensure that the Program is executed and implemented in accordance with the provisions of this Schedule.

2. MEDT shall be the Program Executing Agency with overall responsibility for execution and coordination of the Program activities. The principal implementing agencies for the Program shall be:

- (a) for CPA 1: MEDT, MOJ and the State Customs Committee;
- (b) for CPA 2: MEDT, MOJ and NBKR; and
- (c) for CPA 3: MEDT and MOF.

MOJ shall be the principal implementing agency for the one-stop-shop business registration system contemplated under CPA 1. As such, MOJ shall be responsible for liaising, coordinating, and cooperating with, all line ministries and government agencies whose participation is required for successful implementation of the one-stop-shop business registration system. The State Customs Committee of the Recipient (the "State Customs Committee") shall be the principal implementing agency for the PCSW contemplated under CPA 1. As such, the State Customs Committee shall be responsible for liaising, coordinating, and cooperating with, all line ministries and government agencies whose participation is required for successful implementation of the PCSW.

3. MEDT shall establish and chair a program working group (PWG) that will be responsible for the day-to-day implementation of the Program. The PWG shall comprise representatives of the above-mentioned implementing agencies and any other line ministries or government agencies as may be required or conducive for successful implementation of the Program. The PWG shall meet at least once a month and submit quarterly progress reports to ADB and the PSC, in form and substance acceptable to ADB.

4. The Recipient shall establish a high-level program steering committee (PSC) to supervise the PWG and to guide the reform agenda under the Program. The PSC must comprise representatives from the Prime Minister's Office, the Presidential Administration, MOJ, MOF and the Investment Council, and shall be chaired by the Minister of Economic Development and Trade. The PSC must meet at least three times a year to review and resolve any issues highlighted in the progress reports from PWG and discuss further steps under the reform agenda of the Program, with ADB as an observer.

5. Within the PWG, the Investment Council shall have the special mandate of engaging in regular consultative meetings with the private sector and development partner community to solicit their feedback on emerging regulations and institutional reforms and their impact on Program implementation.

6. The Recipient shall ensure that the PWG and PSC have adequate resources and dedicated and qualified staff to perform their respective tasks for the duration of the Program.

Implementation of the Policy Letter

7. The Recipient shall ensure that the policies adopted and actions taken under the Policy Letter, including the Policy Matrix, continue in effect during the Program period and thereafter.

Implementation of the One-Stop-Shop Business Registration System and PCSW

8. The Recipient shall ensure that the one-stop-shop business registration system and PCSW adopted under the Program Cluster substantially conform to the blueprints developed under Subprogram 1, and shall only deviate from these blueprints with prior approval from ADB.

Policy Dialogue

9. The Recipient shall keep ADB informed of, and the Recipient and ADB shall from time to time exchange views on, sector issues, policy reforms and additional reforms during the Program period that may be considered necessary or desirable, including the progress made in carrying out policies and actions set out in the Policy Letter and the Policy Matrix.

10. The Recipient shall promptly discuss with ADB problems and constraints encountered during implementation of the Program and appropriate measures to overcome or mitigate such problems and constraints.

11. The Recipient shall keep ADB informed of policy discussions with other development partners that may have implications for the Program, and will provide ADB with an opportunity to comment on any resulting policy proposal.

Counterpart Funds

12. The Recipient shall ensure that the Counterpart Funds are used to finance the local currency costs relating to the implementation of the Program and other activities consistent with the objectives of the Program and shall provide the necessary budget appropriations to finance the structural adjustment costs relating to the implementation of reforms under the Program.

Environmental and Social Assessment

13. The Recipient shall ensure that the environmental and social assessments of the model PPP projects to be developed under the Program Cluster are carried out and that appropriate mitigation measures, including monitoring mechanism, are prepared and implemented in accordance with all applicable laws and regulations of the Recipient.

Review and Evaluation of the Program

14. Based on experiences gained under (i) Subprogram 1, (ii) the recommendations under the Advisory TA, and (iii) the implementation of the Project Grant Agreement, the Recipient shall undertake a review of the Program Cluster in close cooperation with ADB. Under the review, the Recipient shall submit a report to ADB recommending revisions and elaborations to the indicative reforms for subprograms 2 and 3 of the Program Cluster.

15. The Recipient acknowledges that the review process described in the preceding paragraph of this Schedule does not obligate ADB to finance any such subprograms and that any further subprogram support is subject to ADB board approval.

SCHEDULE 5

Prior Actions

CPA 1 - Reducing Entry and Exit Barriers and Compliance Costs

1.1 The Recipient shall have submitted to Parliament amendments to the Civil Code and to the Law on State Registration of Legal Persons, Representations and Branches to: (i) remove requirements for substantive review of registration documents and introduce standard charters; (ii) strengthen the protection given to legal names of legal persons; (iii) provide for the establishment of the one-stop-shop (OSS) business registration system; (iv) establish new procedures for voluntary and compulsory deregistration of dormant companies.

1.2 The Recipient shall have commenced the process of accession to the Hague Convention of 5 October 1961 Abolishing the Requirement of Legalisation for Foreign Public Documents.

1.3 The Recipient shall have issued a letter from the Prime Minister to the effect that the OSS business registration system will be implemented substantially in conformity with the blueprint developed under Subprogram 1, including its streamlined procedures with increased automation, supporting institutional framework, cost estimates and a time-bound implementation schedule.

1.4 The Recipient shall have established a legal and institutional framework that (i) sets out minimum standards for government regulation and inspection of business activities, and (ii) mandates a new interdepartmental committee to review existing and new business regulations methods for conformity with those standards.

1.5 The Recipient shall have established the interdepartmental committee referred to in the preceding paragraph of this Schedule and endowed it with adequate powers to execute its tasks.

1.6 The Recipient shall have adopted a regulatory impact assessment method (RIA) that sets out objective and transparent criteria to assess the validity of all business related licenses, permits and approvals.

1.7 The Recipient shall have adopted business inspection procedures that clearly delineate the different types and frequency of inspections, define the rights and obligations of the inspecting agencies, and impose adequate reporting requirements.

1.8 The Recipient shall have approved a concept paper to guide the implementation of a customer-oriented PCSW for efficient exchange of information among businesses and all relevant approval and certification bodies.

1.9 The Recipient shall have issued a letter from the Prime Minister to the effect that the PCSW will be implemented substantially in conformity with the blueprint developed under Subprogram 1, including its cost estimates and time-bound action plan.

CPA 2 – Improving Access to Finance

2.1 The Recipient shall have circulated, for inter-ministerial comments, draft legislation to improve extra-judicial levying of execution of pledges through (i) permitting court executors to use notarial executive inscriptions, and (ii) removing the requirement for pledges to contain valuations of pledged property and removing requirements related to starting prices in auction proceedings.

2.2 The Recipient shall have circulated, for inter-ministerial comments, draft legislation to enable arbitral awards (including property arrest orders) to be enforced without participation of other courts.

2.3 The Recipient shall have circulated, for inter-ministerial comments, draft legislation to improve the ability of a pledge holder to levy execution against a licensed business.

2.4 The Recipient shall have circulated, for inter-ministerial comments, draft legislation to require the registration of financial leases in the Central Pledge Office.

2.5 The Recipient shall have submitted to Parliament amendments to the Tax Code (i) to remove any restrictions on the interest rate charges that can be claimed as a tax deductible expense, and (ii) towards creating a level playing field between financial leasing and lending products by addressing the current non-recoverable nature of VAT upon import of leasing equipment.

2.6 The Recipient shall have clarified on the MEDT website or through other public channels acceptable to ADB that the current legislation of the Recipient allows a lessee to choose between capitalizing financial lease assets or claiming financial lease payments as a tax deductible expense.

2.7 The Recipient shall have adopted amendments to the Civil Code to allow specialized legislation on credit information sharing amongst credit-financial organizations (negative information).

CPA 3 - Increasing Private Sector Participation in Infrastructure Development through PPP

3.1 The President of the Recipient shall have issued a high-level policy statement in support of infrastructure sector reforms and development of PPP.

3.2 The Recipient shall have completed a technical review of the relevant cross-sector and sector-specific laws and regulations (such as Law on Concessions, Law on Privatization, Law on Roads, and Law on Energy).

3.3 The Recipient shall have (i) expanded the mandate of the Coordination Council on Macroeconomic and Investment Policy (the “Coordination Council”) to include formulating and implementing PPP policy matters, also defining appropriate powers and responsibility for ensuring policy consistency, quality control, and transparency by establishing mandatory standards and principles, and (ii) shall have established a Central PPP Unit within MEDT that will serve as the secretariat of the Coordination Council on PPP matters only.

- 3.4 The Recipient shall have established PPP focal points in MOTC and MIEFR with the responsibility for the identification, preparation, execution and monitoring of PPP projects.
- 3.5 The Recipient shall have conducted an inter-ministerial workshop on key principles, procedures and risks associated with PPP contracts, and disseminated reference materials.
- 3.6 The Recipient shall have established a Risk Management Unit (RMU) in MOF, with the responsibility for evaluating proposals for government support, setting limits on exposure, and managing consequent budget risks.
- 3.7 The Recipient shall have completed a long-term Energy Master Plan.
- 3.8 The Recipient shall have developed a strategy for full cost recovery in the energy sector through efficiency improvements, tariff increases, and transparent subsidies.
- 3.9 The Recipient shall have identified suitable pilot projects to demonstrate the application and benefits of the PPP framework that will be developed under the Program Cluster.