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GRANT NUMBER 0552-KGZ(SF)

GRANT AGREEMENT  
(Special Operations)

(Skills for Inclusive Growth Sector Development Program)

between

KYRGYZ REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 13 December 2017

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KGZ 50024

**GRANT AGREEMENT  
(Special Operations)**

GRANT AGREEMENT dated 13 December, 2017 between the KYRGYZ REPUBLIC ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Recipient a development policy letter dated 10 October 2017 ("Policy Letter"), setting forth certain objectives, policies and actions, described in Schedule 1 to this Grant Agreement, designed to develop the Recipient's skills for inclusive growth sector ("Program");

(B) by a grant agreement of even date herewith between the Recipient and ADB ("Project Grant Agreement"), ADB has agreed to provide a grant from its Special Funds resources in an amount of eighteen million Dollars (\$18,000,000) for the purposes of financing expenditures under the Program;

(C) the Recipient has applied to ADB for a grant for the purposes of the Program; and

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

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Grant Regulations; Definitions**

Section 1.01. All the provisions of ADB's Special Operations Grant Regulations, dated 1 January 2017 ("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(l) is deleted and the following is substituted therefor:

"Program" means the program 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(n) is deleted and the following is substituted therefor:

"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".

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

- (a) "COEs" means centers of excellence supported under the Project Grant Agreement;
- (b) "Counterpart Funds" means the local currency generated from the Grant proceeds under the Program and referred to in paragraph 4 of Schedule 3 to this Grant Agreement;
- (c) "Deposit Account" means the account referred to in paragraph 3 of Schedule 2 to this Grant Agreement;
- (d) "EMIS" means education management information system;
- (e) "First Tranche" means the portion of the proceeds of the Grant in an amount not exceeding four million Dollars (\$4,000,000) to be withdrawn pursuant to and subject to the provisions of paragraph 5 of Schedule 2 to this Grant Agreement;
- (f) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (g) "MOE" means the Recipient's Ministry of Economy or any successor thereto;
- (h) "MOF" means the Recipient's Ministry of Finance or any successor thereto;
- (i) "MOLSD" means the Recipient's Ministry of Labor and Social Development or any successor thereto;
- (j) "NQF" means national qualifications network;
- (k) "NQS" means national qualifications system;
- (l) "Policy Matrix" means the policy matrix as agreed between the Recipient and ADB, which sets forth actions accomplished or to be accomplished by the Recipient under the Program and is attached to the Policy Letter;

- (m) "Program Executing Agency" for the purposes of, and within the meaning of, the Grant Regulations means the Ministry of Education and Science (MOES) or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program;
- (n) "PVET" means primary vocational education and training;
- (o) "SDF" means skills development fund;
- (p) "Second Tranche" means the balance of the proceeds of the Grant remaining in the Grant Account after the utilization of the First Tranche, to be withdrawn pursuant to and subject to the provisions of paragraph 6 of Schedule 2 to this Grant Agreement;
- (q) "Skills Development Fund" means a fund set up under ADB's Secondary Vocational Education Project to finance skills training in line with labor market demand;
- (r) "SVET" means secondary vocational education and training;
- (s) "TVET" means the Recipient's primary and secondary professional education and training system; and
- (t) "WBL" means work-based learning.

## 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 Dollars (\$12,000,000).

## ARTICLE III

### Use of Proceeds of the Grant

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

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

Section 3.03. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2021 or such other date as may from time to time be agreed between the Recipient and ADB.

#### ARTICLE IV

##### Particular Covenants

Section 4.01. In the carrying out of the Program, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 3 to this Grant Agreement.

Section 4.02. (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 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

##### Suspension

Section 5.01. The following is specified as an additional event for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations or cancellation of the Grant pursuant to Section 8.02 of the Grant Regulations: the grant under the Project Grant Agreement shall have become liable for suspension or cancellation.

#### ARTICLE VI

##### Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the Project Grant Agreement shall have been duly executed and delivered, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness

of this Grant Agreement) shall have been fulfilled or arrangements satisfactory to ADB shall have been made for the fulfillment thereof within a period of time satisfactory to ADB.

Section 6.02. 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: that 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.

Section 6.03. A date 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 VII

### Miscellaneous

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

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

#### For the Recipient

58, Erkindik Boulevard  
Bishkek, 720040  
Kyrgyz Republic

Facsimile Number:

(996) 312-661645

#### For ADB

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

Facsimile Numbers:

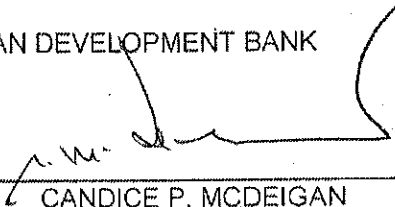
(632) 636-2444  
(632) 636-6318.

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

KYRGYZ REPUBLIC

By   
ADYLBEK A. KASYMALIEV  
Minister  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By   
CANDICE P. MCDEIGAN  
Country Director  
Kyrgyz Resident Mission

**SCHEDULE 1****Description of the Program**

1. The principal objective of the Program is to establish a labor market-responsive and inclusive TVET including the development of entrepreneurial skills, and the Program scope includes:
  - (a) strengthening of governance and finance in TVET in support of key economic sectors;
  - (b) improving teaching quality and learning environments; and
  - (c) increasing cooperation with industry and developing entrepreneurship skills.
2. The Program is described in more detail in the Policy Letter.
3. The Program is expected to be completed by 31 December 2021.



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

1. Except as set out in this Schedule or as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.
2. 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.
3. (a) Prior to submitting the first application to ADB for withdrawal from the Grant Account, the Recipient shall nominate an account (Deposit Account) at the National Bank of Kyrgyz Republic into which all withdrawals from the Grant Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with the applicable regulations and procedures of the Recipient.  
  
(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Recipient shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.
4. No Grant proceeds shall be withdrawn to finance any item specified in Attachment 1 to this Schedule.
5. The Recipient may withdraw the First Tranche upon effectiveness of this Grant Agreement.
6. Notwithstanding any other provisions of this Grant Agreement and except as ADB may otherwise agree, no withdrawal shall be made from the Grant Account for the Second Tranche unless ADB is satisfied, after consultation with the Recipient, that: (a) sufficient progress has been achieved by the Recipient in the carrying out of the Program; (b) the policy actions, as stated in the Policy Matrix, that were met for the release of the First Tranche continue to be complied with by the Recipient; and (c) the Recipient has met the policy actions for the release of the tranche specified in Attachment 2 to this Schedule.

Negative List

No withdrawals of Grant proceeds 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: 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 for 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 any other goods designated as environmentally hazardous by agreement between the Recipient and ADB; 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.

**Policy Actions for Release of the Second Tranche**

1. The Recipient, through MOES, shall develop and approve a strategic document on long-term education development, that includes priorities for skills development that promote equal opportunities for males and females, and which are in alignment with the country's socio-economic priorities.
2. The Recipient shall integrate skills development in the approved long-term development strategy of the country.
3. The Recipient shall, through MOES, develop Model for a NQS and concept of National Qualification Council and have them agreed between all key ministries and stakeholders. The Recipient shall have the normative legal acts on NQS for PVET and SVET developed by MOES and approved by the Government of the Kyrgyz Republic.
4. The Recipient shall ensure that the Skills Development Fund obtains legal status and registration in the territory of the Recipient, such that it is eligible and can receive funding from sources other than ADB.
5. The Recipient shall, through MOES, implement the sex-disaggregated EMIS in the form of an automated education management system in PVET and SVET for evidence-based and labor market oriented policy making.
6. The Recipient shall, through MOES, approve the methodology for analyzing supply and demand in the regional labor market that includes a gender analysis of occupations and is used by COEs.
7. The Recipient shall, through MOES, implement the PVET and SVET rationalization plan in accordance with the approved government policy for regional development.
8. The Recipient shall make necessary changes to the regulatory legal framework to provide educational pathways from PVET to SVET, and from SVET to professional tertiary education (including recognition of prior learning outcomes, which also address occupational gender stereotyping).
9. The Recipient shall, through MOES, develop and approve state educational standards for PVET and SVET for the priority occupations and specialties which also address occupational gender stereotyping.
10. The Recipient shall, through MOES, (a) develop and approve a concept of WBL that takes into account the principles of gender equality; and (b) pilot the concept in COEs in priority occupations and specialties ensuring that at least 10% of the total number of student hours is used for WBL in priority occupations and specialties.

11. The Recipient shall ensure that per capita financing formula is developed for SVET in the context of specialty groups, and approved by MOES and MOF, and tested in the COEs.
12. The Recipient shall, through MOES, develop and approve a gender-inclusive Teacher Development Program for PVET and SVET teachers and plan for implementation across the country.
13. The Recipient shall, through MOES, include gender-inclusive entrepreneurship education modules in the curricula of COEs for piloting ensuring that no less than 10% of total hours intersubjectively and no less than 5% in stand-alone subjects in curricula is allocated for the entrepreneurship education.
14. The Recipient shall, through MOES, approve (a) the Guidelines on partnership between education institutions and industry that reflect deeper financial and managerial autonomy of COEs; and (b) develop necessary regulatory changes to open up male-dominated occupations to female TVET graduates.
15. The Recipient shall, through MOES, develop and implement projects of partnerships of industry and TVET (minimum 1 partnership per COE, minimum requirement signed MOU).
16. The Recipient shall, through MOES, ensure (a) that representatives of the sectors are members in the National Qualification Council; and (b) establish expert groups for industrial partnership, as part of COE arrangements.

**SCHEDULE 3****Program Implementation and Other Matters**Implementation Arrangements

1. MOES shall be the Program Executing Agency for the Program. MOES shall oversee and coordinate the carrying out of policy actions under the Program.

Policy Actions and Dialogue

2. The Recipient shall ensure that all policy actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Program and thereafter.

3. The Recipient shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Recipient shall take into account ADB's views before finalizing and implementing any such proposal.

Use of Counterpart Funds

4. The Recipient shall ensure that the Counterpart Funds are used to finance the implementation of certain programs and activities consistent with the objectives of the Program.

Skills Development Fund

5. The Recipient shall, by 30 June 2020, complete financial economic viability analysis on the institutionalization of Skills Development Fund, including identification of possible sources of its funding.

Governance and Anticorruption

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

Monitoring and Evaluation

7. Within 6 months of the Effective Date of this Grant Agreement, the Recipient, through MOES, shall adopt a Program monitoring and evaluation plan acceptable to ADB. The key program monitoring indicators agreed upon by the Recipient and ADB shall be used to evaluate the achievements and impact of the Program. By no later than the 4th quarter of 2020, the Recipient and ADB will conduct a mid-term review of the Program to discuss in detail the progress towards compliance with the policy actions and required documentary evidence of compliance.

Program Website

8. The Recipient shall cause MOES, throughout the period of the Program, to maintain and regularly update its website with information on the Program.