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**CREDIT NUMBER 2868-0 KG**  
**CREDIT NUMBER 2868-1 KG**

# **Agreement Providing for Amendment and Restatement of Development Credit Agreement**

**(Power and District Heating Rehabilitation Project)**

**between**

**KYRGYZ REPUBLIC**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 10, 2003**

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**CREDIT NUMBER 2868-0 KG**  
**CREDIT NUMBER 2868-1 KG**

**AGREEMENT PROVIDING FOR AMENDMENT AND RESTATEMENT OF  
DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated July 10, 2003, between the KYRGYZ REPUBLIC (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) (Amending Agreement).

WHEREAS (A) the Borrower and the Association have entered into a Development Credit Agreement (Power and District Heating Rehabilitation Project), dated July 3, 1996, as amended on May 26, 1999 (the Development Credit Agreement), for the purpose of assisting in the financing of the project described in Schedule 2 to the Development Credit Agreement (the Project);

(B) pursuant to the Decree of the Borrower's Government No. 333, dated June 5, 1998, the Kyrgyz National Energy Holding Company (KNEHC) has been reorganized and seven new companies have been established to be KNEHC's legal successors (KNEHC's successors);

(C) five of KNEHC's successors, namely, Power Plants, Severelectro, Vostokelectro, Oshelectro and Jalal-Abadelectro (each of whom individually is hereby referred to as an Implementing Company and all of whom are collectively referred to as Implementing Companies), have been designated to continue to carry out respective Parts of the Project; and

WHEREAS the Borrower and the Association have agreed to amend the Development Credit Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**Amendment of the Development Credit Agreement**

Section 1.01. The Development Credit Agreement is hereby amended and restated in its entirety so as to read as set forth in the Annex hereto (Restated Development Credit Agreement).

## ARTICLE II

### Effective Date; Termination

Section 2.01. This Amending Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that: (a) the execution and delivery of this Amending Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action; (b) the execution and delivery of the Project Agreements on behalf of each of the Implementing Companies have been duly authorized or ratified by all necessary action; and (c) the Subsidiary Loan Agreements referred to in Sections 3.01 (b) through 3.01 (f) of the Restated Development Credit Agreement and satisfactory to the Association have been concluded between the Borrower and each of the Implementing Companies, and such Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and each of the Implementing Companies.

Section 2.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Amending Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing: (a) on behalf of the Borrower, that this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms, and that Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and are legally binding upon the Borrower in accordance with their terms; and (b) on behalf of Implementing Companies, that Project Agreements have been duly authorized or ratified by, and executed and delivered on behalf of the respective Implementing Company and are legally binding upon that Implementing Company in accordance with their terms, and that Subsidiary Loan Agreements have been duly authorized or ratified by the respective Implementing Company and are legally binding upon that Implementing Company in accordance with their terms.

Section 2.03. This Amending Agreement shall come into force and effect on the date upon which the Association dispatches to the Borrower and Implementing Companies notice of its acceptance of the evidence required by Section 2.01 of this Agreement.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Amending Agreement to be signed in their respective names in the city of Bishkek, Kyrgyz Republic, as of the day and year first above written.

KYRGYZ REPUBLIC

By: /s/ Bolot Abildaev

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Dennis de Tray

Authorized Representative

**ANNEX**  
**To Agreement Providing for**  
**Amendment and Restatement of**  
**Development Credit Agreement**  
**Dated July 10, 2003**

**CREDIT NUMBER 2868-0 KG**  
**CREDIT NUMBER 2868-1 KG**

# **Amended and Restated Development Credit Agreement**

**(Power and District Heating Rehabilitation Project)**

**between**

**KYRGYZ REPUBLIC**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 3, 1996**  
**As amended and restated on July 10, 2003**

**CREDIT NUMBER 2868-0 KG**  
**CREDIT NUMBER 2868-1 KG**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated July 3, 1996, as amended and restated on July 10, 2003, between KYRGYZ REPUBLIC (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower has contracted from the Asian Development Bank (ADB) a loan (the ADB Loan) in an amount equivalent to thirty million Dollars (\$30,000,000) to assist in financing Parts B(i), C(i), C(ii), C(iv) and C(vi) of the Project, on the terms and conditions set forth in an agreement (the ADB Agreement) entered into between the Borrower and ADB;

(C) the Borrower has contracted from the Danish International Development Agency (Danida) a credit (the Danida Credit) in an amount equivalent to eight million six hundred thousand Dollars (\$8,600,000) to assist in financing Part B(iii) of the Project, on the terms and conditions set forth in an agreement (the Danida Agreement) entered into between the Borrower and Danida;

(D) the Borrower has contracted from the Nordic Development Fund (NDF) a credit (the NDF Credit) in an amount equivalent to six million eight hundred thousand Dollars (\$6,800,000) to assist in financing Parts B (ii) and C (iii) of the Project, on the terms and conditions set forth in an agreement (the NDF Agreement) entered into between the Borrower and NDF;

(E) the Borrower has received from the Swiss Government a grant (the Swiss Grant) in an amount equivalent to four million five hundred thousand Dollars (\$4,500,000) to assist in financing Part C (v) of the Project, on the terms and conditions set forth in an agreement (the Swiss Grant Agreement) entered into between the Borrower and the Swiss Government; and

(F) Parts A(i), A(iii), A(iv) and A(v) of the Project will be carried out by Power Plants with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Power Plants part of the proceeds of the Credit as provided in Section 3.01 (b) of this Agreement;

(G) Part C(vi) of the Project will be carried out by Severelectro, Vostokelectro, Oshelectro and Jalal-Abadelectro with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Severelectro, Vostokelectro, Oshelectro and Jalal-Abadelectro part of the proceeds of the Credit as provided in Sections 3.01 (c) through 3.01 (f) of this Agreement;

(H) Part D of the Project will be carried out by Power Plants, Severelectro, Vostokelectro, Oshelectro and Jalal-Abadelectro, with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Power Plants, Severelectro, Vostokelectro, Oshelectro and Jalal-Abadelectro part of the proceeds of the Credit as provided in Sections 3.01 (b) through 3.01 (f) of this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreements between the Association and each of the Implementing Companies;

NOW THEREFORE the parties hereto hereby agree as follows:

## **ARTICLE I**

### **General Conditions; Definitions**

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions, in the Preamble to the Amending Agreement and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Amending Agreement" means the Agreement Providing for Amendment and Restatement of Development Credit Agreement (Power and District Heating Rehabilitation Project) between the Borrower and the Association;

(b) "Jalal-Abadelectro Project Agreement" means the agreement between the Association and Jalal-Abadelectro, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Jalal-Abadelectro Project Agreement;

(c) “Jalal-Abadelectro Subsidiary Loan Agreement” means the agreement entered into between the Borrower and Jalal-Abadelectro pursuant to Section 3.01 (f) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Jalal-Abadelectro Subsidiary Loan Agreement;

(d) “Jalal-Abadelectro” means Kyrgyz joint stock company Jalal-Abadelectro established pursuant to the Decree of the Government of the Borrower No. 333, dated June 5, 1998, or any successor thereto;

(e) “KNEHC” means the Kyrgyz National Energy Holding Company, a company whose Articles of Association were adopted by Governmental Decree No. 21, dated January 20, 1994, or any successor thereto;

(f) “Oshelectro Project Agreement” means the agreement between the Association and Oshelectro, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Oshelectro Project Agreement;

(g) “Oshelectro Subsidiary Loan Agreement” means the agreement entered into between the Borrower and Oshelectro pursuant to Section 3.01 (e) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Oshelectro Subsidiary Loan Agreement;

(h) “Oshelectro” means Kyrgyz joint stock company Oshelectro established pursuant to the Decree of the Government of the Borrower No. 333, dated June 5, 1998, or any successor thereto;

(i) “PIU” means the Project Implementation Unit established within Severelectro under an agreement entered into between Severelectro, Vostokelectro, Oselectro and Jalaj-Abadelectro to assist the above mentioned Implementing Companies to carry out Parts C and D of the Project, and referred to in Part D.1 of Schedule 2 to this Agreement and Section 2.06 of their respective Project Agreements;

(j) “Power Plants Project Agreement” means the agreement between the Association and Power Plants, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Power Plants Project Agreement;

(k) “Power Plants Subsidiary Loan Agreement” means the agreement entered into between the Borrower and Power Plants pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Power Plants Subsidiary Loan Agreement;



(l) "Power Plants" means Kyrgyz joint stock company Power Plants established pursuant to the Decree of the Government of the Borrower No. 333, dated June 5, 1998, or any successor thereto;

(m) "Project Agreements" means collectively Power Plants Project Agreement, Jalal-Abadelectro Project Agreement, Osheselectro Project Agreement, Severelectro Project Agreement and Vostokelectro Project Agreement;

(n) "Restated Development Credit Agreement" means the Development Credit Agreement (Power and District Heating Rehabilitation Project) between the Borrower and the Association dated July 3, 1996, as amended and restated by the Amending Agreement;

(o) "Severelectro Project Agreement" means the agreement between the Association and Severelectro, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Severelectro Project Agreement;

(p) "Severelectro Subsidiary Loan Agreement" means the agreement entered into between the Borrower and Severelectro pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Severelectro Subsidiary Loan Agreement;

(q) "Severelectro" means Kyrgyz joint stock company Severelectro established pursuant to the Decree of the Government of the Borrower No. 333, dated June 5, 1998, or any successor thereto;

(r) "Social Safety Net Action Plan" means the program referred to in Section 4.05 of this Agreement;

(s) "SOM" means the currency of the Borrower;

(t) "Vostokelectro Project Agreement" means the agreement between the Association and Vostokelectro, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Vostokelectro Project Agreement;

(u) "Vostokelectro Subsidiary Loan Agreement" means the agreement entered into between the Borrower and Vostokelectro pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Vostokelectro Subsidiary Loan Agreement.

(v) "Vostokelectro" means Kyrgyz joint stock company Vostokelectro established pursuant to the Decree of the Government of the Borrower No. 333, dated June 5, 1998, or any successor thereto;

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to each of the Implementing Companies.

## **ARTICLE II**

### **The Credit**

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty-four million eight hundred thousand Special Drawing Rights (SDR 24,800,000) in two tranches, the first tranche being an amount in various currencies equivalent to thirteen million six hundred thousand Special Drawing Rights (SDR 13,600,000) (the First Tranche), and the second tranche being an amount in various currencies equivalent to eleven million two hundred thousand Special Drawing Rights (SDR 11,200,000) (the Second Tranche).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) Except as the Borrower and the Association shall otherwise agree, all amounts withdrawn from the Credit Account, or made subject to a special commitment pursuant to Section 5.02 of the General Conditions, shall initially be charged against the First Tranche until that tranche has been exhausted, and shall thereafter be charged against the Second Tranche.

Section 2.03. The Closing Date shall be December 31, 2005, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled, provided, however, that the commitment charge on the Second Tranche shall accrue from July 25, 1999; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15 commencing October 15, 2006 and ending April 15, 2031.

Each installment to and including the installment payable on April 15, 2016 shall be one and one-fourth percent ( $1-1/4\%$ ) of such principal amount, and each installment thereafter shall be two and one-half percent ( $2-1/2\%$ ) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount

of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall cause the Implementing Companies to perform in accordance with the provisions of their respective Project Agreements all the obligations of the Implementing Companies therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Implementing Companies to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit allocated from time to time to categories (2)(ii) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement available to Power Plants under a subsidiary loan agreement to be entered into between the Borrower and Power Plants.

(c) The Borrower shall make the proceeds of the Credit allocated from time to time to categories (2)(iii) and (4)(i) set forth in the table in paragraph 1 of Schedule 1 to this Agreement available to Severelectro under a subsidiary loan agreement to be entered into between the Borrower and Severelectro.

(d) The Borrower shall make the proceeds of the Credit allocated from time to time to categories (2)(iv) and (4)(ii) set forth in the table in paragraph 1 of Schedule 1 to this Agreement available to Vostokelectro under a subsidiary loan agreement to be entered into between the Borrower and Vostokelectro.

(e) The Borrower shall make the proceeds of the Credit allocated from time to time to categories (2)(v) and (4)(iii) set forth in the table in paragraph 1 of Schedule 1 to this Agreement available to Oshelectro under a subsidiary loan agreement to be entered into between the Borrower and Oshelectro.

(f) The Borrower shall make the proceeds of the Credit allocated from time to time to categories (2)(vi) and (4)(iv) set forth in the table in paragraph 1 of Schedule 1 to this Agreement available to Jalal-Abadelectro under a subsidiary loan agreement to be entered into between the Borrower and Jalal-Abadelectro.

(g) All subsidiary loan agreements to be concluded pursuant Sections 3.01(b) through 3.01(f) above shall have been concluded on terms and conditions satisfactory to the Association and shall include, but not limited to, the following principal terms: (i) the principal amount shall be repaid in equivalent amounts in SOM determined as of the respective dates of repayment; (ii) interest on the principal amount shall be paid at a rate of six percent (6%) per annum; and (iii) the principal amount to be repaid over a period of twenty (20) years, including a grace period of five (5) years.

(h) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive Subsidiary Loan Agreements or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the respective Parts of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions, and without limitation thereto, the Borrower shall take all necessary measures to ensure Implementing Companies' compliance with the provisions of Section 2.03 (b) of their respective Project Agreement.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by each of the Implementing Companies pursuant to Section 2.03 (a) of their respective Project Agreement.

## **ARTICLE IV**

### **Financial and Other Covenants**

Section 4.01. (a) The Borrower shall cause the Implementing Companies to maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible in carrying out the Project.

Section 4.02. The Borrower shall ensure that tariffs for electricity sales from Power Plants to direct consumers and distribution companies, for electricity transmission by National Electrical Grid of Kyrgyzstan, and for electricity sales by distribution companies to final consumers are all set at an equitable and appropriate level and are periodically adjusted to ensure the financial viability of the Implementing Companies and National Electrical Grid of Kyrgyzstan.

Section 4.03. The Borrower shall: (i) fund and implement the Social Safety Net Action Plan agreed with the Association; and (ii) by October 31 of each year, review with the Association the implementation of such Plan.

Section 4.04. The Borrower shall take all measures necessary on its part for the Implementing Companies to comply with their obligations under their respective Project Agreements.

Section 4.05. The Borrower shall ensure that power bills owed to the Implementing Companies by the public sector be settled within 45 days, as an average among all bills from each Implementing Company, and within 90 days, for each individual bill.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) Any of the Implementing Companies shall have failed to perform any of its obligations under the respective Project Agreement or the respective Subsidiary Loan Agreement.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that any of the Implementing Companies will be able to perform its obligations under the respective Project Agreement.

- (c) (i) Subject to subparagraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing thereof; or (B) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) the events specified in paragraph (c) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the provision of paragraph (c) (ii) of that Section.

**ARTICLE VI**

**Representative of the Borrower; Addresses**

Section 6.01 The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Erkindik Boulevard, 58  
Bishkek 720874  
Kyrgyz Republic

Telex:

245169 ASKAR KH

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

Facsimile:

(202) 477-6391



**SCHEDULE 1**

**Withdrawal of the Proceeds of the Credit**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods for KNEHC under Part A of the Project	10,800,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expend- itures for other items procured locally
(2) Consultants' Services, including training, under Part D of the Project		100%
(i) KNEHC	2,320,000	
(ii) Power Plants	165,000	
(iii) Severelectro	220,000	
(iv) Vostokelectro	142,000	
(v) Oshelectro	142,000	
(vi) Jalal-Abadelectro	142,000	
(3) Goods for Power Plants under Part A of the Project	6,700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Goods under Part C (vi) of the Project		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for for other items procured locally
(i) Severelectro	1,500,000	
(ii) Vostokelectro	635,000	
(iii) Oshelectro	635,000	
(iv) Jalal-Abadelectro	635,000	
(5) Unallocated	<u>764,000</u>	
TOTAL	<u>24,800,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are to: (i) improve the power and district heating system efficiency and reliability; (ii) reduce power and heat losses; (iii) reduce the environmental impact of the power and heat facilities; (iv) rehabilitate the existing assets in the power and district heating system; (v) introduce appropriate financial management at KNEHC and Implementing Companies; and (vi) restructure KNEHC along commercial lines.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

#### Part A: Power Plant Rehabilitation

Rehabilitation of the Bishkek combined heat-and-power plant (TES-1), by way of: (i) refurbishment of the seven most recent boilers; (ii) installation of turbogenerator-11; (iii) upgrading of the plant instrumentation and control systems and retrofitting of the essential auxiliary systems (coal supply, water make up, compressed air, electrostatic precipitators); (iv) installation of monitoring devices for emissions; and (v) provision for a metal testing laboratory and vibration monitoring equipment.

#### Part B: District Heating System Rehabilitation

Rehabilitation of the district heating system in Bishkek, by way of: (i) replacement of the most corroded sections of the system (about 12.5 km.), and of the damaged and poor insulation of the aerial sections of the system (about 7 km.); (ii) installation of frequency converters on selected pumps and retrofitting of the automatic control system; and (iii) adaptation of the substations to variable flow operations and installation of heat meters.

#### Part C: Rehabilitation and Upgrading of Transmission and Distribution Facilities

Rehabilitation and upgrading of transmission and distribution facilities by way of: (i) construction of a new 220/110 kV Ala Archa substation; (ii) extension and connection of the Chui substation at 220 kV; (iii) replacement of the 110-kV ground circuit breakers for twelve substations in Bishkek; (iv) upgrading and extension of the substations of Novo-Troitskaia, Orto-Alysh, Seleksionnaia and Sel'elektro; (v) construction of a new 220/110 kV Naryn substation; and (vi) provision of power metering equipment and tools.

Part D: Technical Assistance and Training

1. Provision of consultants' services and training to assist KNEHC and Implementing Companies in engineering, design, procurement and construction supervision, and the staffing and functioning of the PIU.
  
2. Provision of consultants' services and training to assist KNEHC and Implementing Companies in: (i) reforming the power sector for future private sector involvement; and (ii) developing appropriate organizational structures, and adopting commercial management practices, budget and control systems, reporting procedures and a management information system.

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The Project is expected to be completed by June 30, 2005.

### **SCHEDULE 3**

#### **Procurement**

##### Section I: Procurement of Goods

##### Part A: General

Goods shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

##### 2. Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

##### Part C: Other Procurement Procedures

##### International Shopping

Goods estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount not to exceed the equivalent of \$400,000, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

##### Part D: Review by the Association of Procurement Decisions

##### 1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and

approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to all contracts awarded under Parts B and C of this Schedule, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by the World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Association, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Association, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultants Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignment of critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.