

CONFORMED COPY

TF 020021

DUTCH GRANT RELATED TO LOAN NUMBER 3866-0-1-2 LT

Dutch Grant Agreement

(Enterprise and Financial Sector Assistance Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

as Administrator of Dutch Funds
provided by the Netherlands

and

UKIO BANKAS

Dated December 4, 1995

TF 020021

DUTCH GRANT RELATED TO LOAN NUMBER 3866-0-1-2 LT

DUTCH GRANT AGREEMENT

AGREEMENT, dated December 4, 1995, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as Administrator (the Administrator) of the Dutch Grant (as hereinafter defined) provided by The Netherlands (the Donor), and UKIO BANKAS (the Recipient).

WHEREAS (A) the Government of the Netherlands wishes to make available to the Recipient a grant in the amount of one million nineteen thousand eight hundred and forty Dutch Guilders (NLG1,019,840) (the Dutch Grant) to assist the Recipient in the financing of the technical assistance described in Schedule 2 to this Agreement (the Technical Assistance);

WHEREAS (B) pursuant to a letter agreement dated September 8, 1995 between The Netherlands and the Bank, The Netherlands has requested the Bank, and the Bank has agreed, to administer grant funds to be made available by The Netherlands for the financing of the Technical Assistance in accordance with the provisions of such letter agreement; and

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (18) and (20), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Section 4.01 and the first sentence of Section 4.09;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) Sections 10.01, 10.03 and 10.04; and
 - (x) Article XI.
- (b) The General Conditions shall be modified as follows:
- (i) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the International Bank for Reconstruction and Development acting as Administrator of the Dutch Grant pursuant to the letter agreement between the Netherlands and the Bank referred to in Recital (B) of this Agreement, except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;
 - (ii) the term "Borrower", whenever used in the General Conditions, means the Recipient;
 - (iii) the term "Loan Agreement", whenever used in the General Conditions, means this Agreement;
 - (iv) the term "Loan", whenever used in the General Conditions, means the Dutch Grant extended to the Recipient under this Agreement;
 - (v) the term "Loan Account", whenever used in the General Conditions, means the Dutch Grant Account opened by the Administrator on its books, in the name of the Recipient, to which the amount of the Dutch Grant is credited;
 - (vi) the term "Project" wherever used in the General Conditions, means the Technical Assistance described in Schedule 2 to this Agreement;
 - (vii) Section 4.01 shall be modified to read:
 - "Withdrawals from the Grant Account shall be made in Dutch Guilders; provided, however, that if

the expenditures to be financed out of the proceeds of the Dutch Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal."; and

(viii) Section 9.07 (c) shall be modified to read:

"(c) Not later than six (6) months after the Closing Date, or such later date as may be agreed for this purpose between the Recipient and the Administrator, the Recipient shall prepare and furnish to the Administrator a report of such scope and in such detail as the Administrator shall reasonably request, on the execution of the Project, the performance by the Recipient and the Administrator of their respective obligations under the Dutch Grant Agreement and the accomplishment of the purposes of the Dutch Grant."

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

(a) "Dutch Guilders" and "NLG" mean the currency of The Netherlands;

(b) "Bank of Lithuania" means the central bank of the Republic of Lithuania, established and operating pursuant to the Law on the Bank of Lithuania, dated December 23, 1994, as the same may be amended from time to time;

(c) "UKIO Bankas" means the joint stock bank licensed by the Bank of Lithuania, registered on June 27, 1989 and reregistered on November 19, 1992 under Registration No. 1 with Registration Code No. 1202013.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount of one million nineteen thousand eight hundred and forty Dutch Guilders (NLG 1,019,840) of which an aggregate amount of twenty three thousand six hundred thirty Dutch Guilders (NLG23,630) shall be deducted by the Administrator pursuant to paragraphs 3 and 9 of the agreement dated September 8, 1995 between The Netherlands and the Administrator.

Section 2.02. The amount of the Dutch Grant may be withdrawn from the Dutch Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator, for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of services required for the Project and to be financed out of the Dutch Grant.

Section 2.03. The Closing Date shall be December 31, 1997 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project and Financial Covenants

Section 3.01. The Recipient shall carry out the Project

with due diligence and efficiency and in conformity with appropriate financial, banking and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Administrator shall otherwise agree, consultants' services required for the Project and to be financed out of the proceeds of the grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project.

(b) The Recipient shall :

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;
- (ii) furnish to the Administrator as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and
- (iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

ARTICLE IV

Effectiveness and Termination

Section 4.01. This Agreement shall upon its signature by the parties hereto become effective as of the date first above written and shall continue in effect until the Dutch Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE V

Representation

Section 5.01. The Chairman of the Board is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ukio Bankas
Grudzio 9
3000 Kaunas, Lithuania

For the Administrator:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT
as Administrator of the Dutch Grant

By /s/ Basil Kavalsky

Authorized Representative

UKIO BANKAS

By /s/ Valdimaras Butenas

Authorized Representative

SCHEDULE 1

Withdrawal of the Grant

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

Category	Amount of the Grant Allocated (Expressed in NLG Equivalent)	% of Expenditures to be Financed
(1) Consultants' Services	996,210	100%
(2) Refunding of administrative expenditures of the Bank	19,997	Amount due pursuant to Section 2.01 of this Agreement
3) Refunding of audit costs of the Bank	3,633	Amount due pursuant to Section 2.01 of this Agreement
TOTAL	1,019,840 =====	

2. Notwithstanding the provisions of paragraph 1 above and unless otherwise agreed with the Administrator, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of Technical Assistance

The objective of the Technical Assistance is to assist the Recipient in implementing a comprehensive tailor-made institutional development program through a twinning arrangement with a Dutch banking institution.

The institutional development program shall cover all areas of banking practice, including, but without limitation, strategic and financial planning, marketing, organization structure, credit management, asset/liability management, financial management and internal auditing.

SCHEDULE 3

Employment of Consultants

In order to assist the Recipient in the implementation of the Project, consultants shall be employed whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Administrator. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Administrator on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Administrator in August 1981 (the Consultant Guidelines). For complex time-based assignments, the Recipient shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Administrator, with such modifications as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Administrator, or, unless otherwise agreed with the Administrator, the Recipient shall use other standard forms agreed with the Administrator.

