

May 26, 1999

H.E. Marat Sultanov  
Minister of Finance  
Erkindik Boulevard, 58  
Bishkek 720874  
Kyrgyz Republic

Re: Swiss Grant Agreement for Social Sector Adjustment Credit  
Grant Number TF021297

Your Excellency:

I am writing on behalf of the International Development Association (the Association) to indicate the Association's agreement, as administrator of grant funds provided by Switzerland, to make a grant in an amount not exceeding two hundred fifty thousand Swiss Francs (CHF 250,000) (the Grant) to the Kyrgyz Republic (the Recipient).

The Grant is made in response to the Recipient's request for financial assistance and for the purposes and on the terms and conditions set forth in the Annex to this Letter Agreement. The Recipient represents, by confirming its agreement below, that it is authorized to contract and withdraw the Grant for the said purposes and on the said terms and conditions.

Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter Agreement. Upon receipt by the Association of the copy of this Letter Agreement countersigned by you, this Letter Agreement will become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Nancy J. Cooke  
Acting Country Director  
Kazakhstan, Kyrgyz Republic and  
Turkmenistan Country Unit  
Europe and Central Asia Region

AGREED:

KYRGYZ REPUBLIC

By /s/ Marat Sultanov

Date: July 2, 1999

#### ANNEX

#### Purposes, Terms, and Conditions of the Grant

##### 1. Purposes and Activities

1.1. The purpose of the Grant is to support the Recipient's development agenda in strengthening public finance, reforming pension systems, deepening and diversifying sources of growth, particularly in the rural areas, and reducing poverty.

1.2. The activities (the Activities) for which the Grant is given are as follows: provision of technical assistance to improve the efficiency of social protection systems, through institutional development activities aimed at strengthening the agencies charged with benefit administration.

##### 2. Implementation Generally

2.1. The Recipient shall: (a) carry out the Activities with due diligence and efficiency; (b) promptly provide the funds, facilities, services and other resources required for that purpose; (c) furnish all information covering the Activities and the use of the proceeds of the Grant as the Association shall reasonably request; (d) from time to time exchange views with the Association's representatives on the progress and results of the Activities; and (e) take all necessary measures required to enable the Association to visit the territory of the Kyrgyz Republic for purposes related to the Grant. Without limitation on the foregoing, the Recipient shall, if the Association shall so request, prepare and furnish to the Association promptly upon completion of the Activities a report, in form and substance satisfactory to the Association, on the results and impact of the Activities.

### 3. Procurement

3.1. Except as the Association shall otherwise agree, procurement of the consultants' services required for the carrying out of the Activities and to be financed out of the proceeds of the Grant shall be governed by the provisions of Attachment I to this Annex.

### 4. Withdrawal of Grant Proceeds

4.1. The amount of the Grant shall be credited to an account opened by the Association on its books in the name of the Recipient (the Grant Account), and may be withdrawn therefrom by the Recipient, in accordance with the provisions of this Section 4, for expenditures in respect of the reasonable cost of services required for the Activities and to be financed out of the proceeds of the Grant.

4.2. The expenditures for the following items may be financed out of the proceeds of the Grant and shall be used exclusively in the carrying out of the Activities:

Item	Amount of the Grant Allocated (in Swiss Francs)	% of Expenditures to be Financed
Consultants' services	250,000	100%
TOTAL	250,000	

4.3. Notwithstanding the provisions of paragraph 4.2 above: (a) no withdrawals shall be made: (i) for payments made for expenditures prior to the date of signature of this Letter Agreement by the Association; (ii) on account of payments for any taxes levied by or in the territory of the Recipient; (iii) on account of expenditures in the territories of any country which is not a member of the International Bank for Reconstruction and Development or for services supplied from such territories; (iv) for the purpose of any payment to persons or entities if such payment, to the Association's knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; or (v) after December 31, 2000 or such later date as the Association shall establish by written notice to the Recipient (the Closing Date), except that withdrawals may be made for expenditures incurred prior to the Closing Date if the corresponding application is received by the Association within four months after the Closing Date, after which time any amount of the Grant remaining unwithdrawn from the Grant Account shall be canceled.

4.4. When the Recipient shall desire to withdraw any amount from the Grant Account, it shall deliver to the Association a written application for withdrawal of such amount in the form specified by the Association. Withdrawal applications shall be: (a) signed on behalf of the Recipient by the Minister of Finance or such other person as he or she shall have authorized in writing; and (b) be accompanied by such evidence in support of the application as the Association shall reasonably request. Authenticated specimen signatures of the person authorized to sign withdrawal applications shall be provided with the first application bearing his or her signature. Each withdrawal application for an amount of the Grant and its supporting evidence must be sufficient in form and substance to satisfy the Association that the Recipient is entitled to withdraw such amount from the Grant Account and that such amount is to be used in the carrying out of the Activities. The Association shall pay the amounts withdrawn by the Recipient from the Grant Account only to or on the order of the Recipient.

4.5. Withdrawals of the proceeds of the Grant shall be made in the currency of the Grant. The Association, at the Recipient's request and acting as an agent of the Recipient, shall purchase with the currency of the Grant withdrawn from the Grant Account such currencies as shall be required to pay for expenditures to be financed out of the proceeds of the Grant. Whenever it shall be necessary, for the purposes of

this Letter Agreement, to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Association.

## 5. Accounts and Audits

5.1. (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 Activities of the departments or agencies of the Recipient responsible for carrying out the Activities or any part thereof.

(b) The Recipient shall: (i) have the records and accounts referred to in subparagraph (a) above and the records for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to the Association 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 Association shall have reasonably requested; and (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall: (i) maintain or cause to be maintained, in accordance with subparagraph (a) above, records and accounts reflecting such expenditures; (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures; (iii) enable the Association's representatives to examine such records; and (iv) ensure that such records and accounts are included in the annual audit referred to in subparagraph (b) above and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

## 6. Suspension and Cancellation

6.1. The Association may at any time, by notice to the Recipient, suspend the right of the Recipient to make further withdrawals from the Grant Account if any of the following events has occurred and is continuing: (a) the Recipient has failed to comply with any of its obligations herein specified; or (b) the right of the Recipient, or any other entity to which the Bank has made a loan with the guarantee of the Recipient, to make withdrawals under any loan agreement with the Bank or any development credit agreement with the Association shall have been suspended.

6.2. The Association may, by written notice to the Recipient, terminate the right of the Recipient to make further withdrawals from the Grant Account: (a) at any time after the right of the Recipient to make withdrawals from the Grant Account shall have been suspended pursuant to the provisions of paragraph 6.1 above; or (b) if the Recipient shall have failed to take action, satisfactory to the Association, within six months after the effective date hereof, to carry out the Activities.

### Attachment I

#### Procurement

##### Consultants' Services

###### Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers", published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines), and the following provisions.

###### Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2

thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Activities shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

