

Swiss Grant Agreement
(Social Safety Net Project)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

as Administrator of Grant Funds
provided by the Swiss Cooperation Office
for Eastern Europe

Dated November 28, 1994

SWISS GRANT AGREEMENT

AGREEMENT, dated November 28, 1994, between the KYRGYZ REPUBLIC (the Recipient) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) acting as Administrator (the Administrator) of grant funds provided by the SWISS COOPERATION OFFICE FOR EASTERN EUROPE (SWITZERLAND).

WHEREAS (A) pursuant to an agreement dated October 27, 1994 between Switzerland and the Association, Switzerland has requested the Association, and the Association has agreed, to administer grant funds to be made available by Switzerland for the financing of activities included in the Social Safety Net Project, defined in the Development Credit Agreement and extended by a Development Credit Agreement, dated July 7, 1994; and

WHEREAS (B) Switzerland has agreed to make available to the Recipient a non-reimbursable contribution (the Grant) to finance the cost of setting up employment services and a training system in the social sector described in Schedule 1 to this Agreement (the Technical Assistance) on the terms and conditions hereinafter set forth;

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 Development Credit Agreements of the Association, 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), (5), (6), (7), (8), (9), (11), (12) and (13);
 - (iii) Section 3.01;
 - (iv) Sections 4.01 and 4.05;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (a) (i), (b), (d), (e), (g) and (h), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01, 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08;
 - (ix) Sections 10.01, 10.02 and 10.03; and
 - (x) Article XI.
- (b) The General Conditions shall be modified as follows:
- (i) the term "Association", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (e) thereof means the International Development Association acting as Administrator of the Grant pursuant to the letter agreement between Switzerland and the Association, and the Association referred to in Recital (A) of this Agreement, except that in Section 6.02, the term "Association" shall also include the International Development Association acting in its own capacity;
 - (ii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
 - (iii) the term "Credit Agreement", wherever used in the General Conditions, means this Agreement;
 - (iv) the term "Credit", wherever used in the General Conditions, means the Grant;
 - (v) the term "Credit Account", wherever used in the General Conditions, means the Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited;
 - (vi) the term "Project", wherever used in the General Conditions, means the technical assistance described in Schedule 1 to this Agreement; and
 - (vii) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in Swiss Francs; provided, however, that if the expenditures to be financed out of the 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."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth, and the terms "Swiss Franc" and "SFR" mean the currency of Switzerland.

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, the Grant in an amount of four million Swiss Francs (SFR 4,000,000).

Section 2.02. The Grant is made to finance 100% of total expenditures for consultants' services, related equipment and training, in respect of the reasonable cost of carrying out the Project to be financed out of the Grant provided, however, that no withdrawals shall be made in respect of payments made prior to the date of this Agreement.

Section 2.03. The Recipient shall, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association (the Swiss Special Account). Deposits into, and payments out of, the Swiss Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be January 15, 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

Section 3.01. The Recipient shall carry out the Project with due diligence and efficiency and in conformity with appropriate financial 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, procurement of the consultants' services required for the Project and to be financed out of the Grant shall be governed by the provisions of Schedule 2 to this Agreement. In case of the procurement of equipment not included in the contract for the provision of related consultants' services, the procedures set forth in Schedule 3 in the Development Credit Agreement shall apply, mutatis mutandis.

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 of the departments or agencies of the Recipient responsible for carrying out the Project or any part thereof.

(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; Termination

Section 4.01. This Agreement shall become effective upon its execution by the parties hereto.

Section 4.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE V

Representation

Section 5.01. The Vice Chairman of the State Commission for Foreign Investment and Economic Assistance of the Recipient 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:

Vice Chairman of State Commission for Foreign
Investments and Economic Assistance
96 Kievskaya Street
Bishkek 720300
Kyrgyz Republic

Telex:

245169 ASKAR SU

For the Administrator:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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.

KYRGYZ REPUBLIC

By /s/ Askar Sarygulov

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of the Grant

By /s/ Russell Cheetham

Authorized Representative

SCHEDULE 1

Description of Technical Assistance

Part A: Employment Services Component

1. Strengthening of the delivery system of employment services (ES), including development of a model office network in Bishkek, replication of such model office in other major labor markets, provision of computer and office equipment to selected

sizable local employment offices, strengthening of small local offices through development of manual systems and special approaches.

2. Strengthening of the capacity to develop and carry out effective employment policies and programs, including: (a) establishment of an effective policy and program development structure within the Recipient's Department of Employment (CDOE) through building capacity to identify and analyze employment issues and develop appropriate policy responses; (b) development of a program planning system; (c) development of an improved financial control system; (d) strengthening of the field operations and employment service performance monitoring capacity of DOE; (e) establishment of an operational computer system service support unit and provision of additional computers and supporting equipment and materials; (f) advice on the organizational structure of DOE, including restructuring of its functions and reallocation of staff, and review of the employment law to advise on improvements thereto; and (g) provision of training for senior management and staff of DOE and ES, including study tours abroad.

3. Rehabilitation of selected social service facilities and provision of training to assist the oblast authorities in taking over social assets divested by enterprises.

Part B: Training of Workers and Entrepreneurs

Strengthening of the Recipient's State Committee for Training of Workers and Entrepreneurs (SCT) through training of its staff, provision of computer and training equipment and materials for curriculum development, dissemination of training information and direct training purposes and upgrading of selected SCT's facilities.

SCHEDULE 2

Procurement and Consultants' Services

Employment of Consultants

In order to assist the Recipient in carrying out the Project, the Recipient shall employ consultants 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 Bank in August 1981.

SCHEDULE 3

Swiss Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Grant; and

(b) the term "Authorized Allocation" means an amount equivalent to \$1,500,000 to be withdrawn from the Credit Account and deposited in the Swiss Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Swiss Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Swiss Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Swiss Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Recipient, withdraw from the Credit Account and deposit in the Swiss Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Swiss Special Account, the Recipient shall furnish to the Association requests for deposits into the

Swiss Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Credit Account and deposit into the Swiss Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Swiss Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account in the respective equivalent amounts as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Swiss Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Swiss Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Recipient directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and Section 2.03 of this Agreement; or

(b) once the total unwithdrawn amount of the Grant, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Swiss Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Swiss Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Swiss Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Swiss Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Swiss Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Swiss Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.



