

CONFORMED COPY

TF024828
DUTCH GRANT RELATED TO CREDIT NUMBER 3420 KG

Dutch Grant Agreement

(Consolidation Structural Adjustment Credit)

between

KYRGYZ REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

as Administrator of Grant Funds
provided by the

MINISTER FOR DEVELOPMENT COOPERATION
OF THE NETHERLANDS

Dated April 17, 2001

TF024828

DUTCH GRANT AGREEMENT

AGREEMENT, dated April 17, 2001, between KYRGYZ REPUBLIC (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) acting as Administrator of grant funds provided by the GOVERNMENT OF THE NETHERLANDS.

WHEREAS (A) pursuant to a Development Credit Agreement (Consolidation Structural Adjustment Credit), dated September 20, 2000, between the Recipient and the Association (the IDA Credit Agreement), the Association has agreed to extend to the Recipient a credit in an amount in various currencies equivalent to twenty six million and one hundred thousand Special Drawing Rights (SDR 26,100,000) to support the Recipient in the execution of the Program, as defined in the IDA Credit Agreement; and

(B) pursuant to an arrangement dated November 30, 2000, between the Netherlands Minister for Development Cooperation (the Minister) and International Bank for Reconstruction and Development (the Bank) and the International Development Association (the Association), the Minister has requested the Bank and the Association, and the Bank and the Association have agreed, to administer grant funds (the Grant) to be made available by the Minister for the support of the Recipient in the execution of the Program, in accordance with the provisions of such arrangement;

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, as amended through October 6, 1999 with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (13), 2.02 (ii) Sections 2.01 (1), (2), (3), (4), (5), (7), (8), (9), (12) and and 2.03;
- (iii) Sections 4.01 and 4.05;
- (iv) Article V;
- 6.03, 6.04 (v) Sections 6.01, 6.02 (a), (b), (c), (d), (e), (g), (h), and (1) and 6.06;
- (vi) Section 8.01 (b);
- (vii) Sections 9.01, 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08;
- (viii) Article X; and
- (ix) Article XI.

(b) The General Conditions shall be modified as follows:

(i) the term "Association", whichever used in the General Conditions, other than in Section 6.02 (e) thereof, means the International Development Association acting as Administrator of the Grant pursuant to the arrangement between the Minister and the Bank and the Association referred to in Recital (B) of this Agreement, except that in Section 6.02, the term "Association" shall also include the International Development Association acting in its own capacity;

means (ii) the term "Borrower", whichever used in the General Conditions, the Recipient;

General (iii) the term "Development Credit Agreement", whichever used in the Section 6.02 (a), the term Conditions, means this Agreement except that in means the IDA Credit Agreement; "Development Credit Agreement"

the (iv) the term "Credit", whichever used in the General Conditions, means the Grant;

Conditions, (v) the term "Credit Account", whichever used in the General its means the Grant Account, an account opened by the Administrator on

Grant is books in the name of the Recipient to which the amount of the credited; and

(vi) the term "Deposit Account", whichever used in the IDA Credit Agreement, means the Grant Deposit Account, referred to in Section 2.02 (b) of this Agreement.

(vii) Section 4.01 shall be modified to read:

"Unless otherwise agreed by the Association, withdrawals from the Grant Account shall be made in the currency of the Grant, i.e. Netherlands Guilders (NLG)."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, in the Recitals to this Agreement and in the IDA Credit Agreement have the respective meanings therein set forth, and the term "Netherlands Guilders" and "NLG" mean the currency of Netherlands.

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 three million Netherlands Guilders (NLG 3,000,000).

Section 2.02. (a) The amount of the Grant may not be withdrawn from Grant Account before the release of the second tranche pursuant to the IDA Credit.

(b) The Recipient shall open, prior to furnishing to the Administrator the first request for withdrawal from the Dutch Grant Account, and thereafter maintain in its central bank, a deposit account in Dollars on terms and conditions satisfactory to the Administrator. All withdrawals from the Dutch Grant Account shall be deposited by the Administrator into the Deposit Account.

(c) The Recipient undertakes that the proceeds of the Dutch Grant shall not be used to finance expenditures excluded pursuant to the provisions of the Schedule to this Agreement. If the Administrator shall have determined at any time that any proceeds of the Dutch Grant Account shall have been used to make a payment for an expenditure so excluded, the Recipient shall, promptly upon notice from the Administrator, (i) deposit into the Deposit Account an amount equal to the amount of said payment, or (ii) if the Administrator shall so request, refund such amount to the Administrator. Amounts refunded to the Administrator upon such request shall be credited to the Dutch Grant Account for cancellation.

Section 2.03. The Closing Date shall be August 23, 2001 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE III

Other Covenants

Section 3.01. Section 2.02 (c) of the Article II and Articles III and IV of the IDA Credit Agreement, including the Schedules referred to therein, are hereby incorporated into this Agreement with the same force and effect as if they fully set forth herein, it is being understood that all references in said Articles to the "Association" shall be deemed to be references to the Association as Administrator of the Grant under this Agreement, all references to the "Borrower" shall be deemed references to the Recipient, and all references to the "Credit" and the "Credit

Amount" and "Deposit Account" shall be deemed to be references to the Grant, the Grant Account and the Grant Deposit Account, respectively.

ARTICLE IV

Effectiveness

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

ARTICLE V

Representation

Section 5.01. The Minister of Finance 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:

Ministry of Finance
Erkindik Boulevard 58
Bishkek 720874
Kyrgyz Republic

Cable address:

Telex:

245156 NUR KH

For the Administrator:

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

Cable address:

Telex:

INDEVAS 248423 (MCI) or
Washington, D.C. 64145 (MCI)

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/ Baktybek Abdrissaev

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of the Grant

By /s/ Anthony Cholst

Authorized Representative

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Grant shall not be used to finance any of the following expenditures:

1. expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient;
2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another credit or a loan;
3. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
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), non-irradiated, 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, non-monetary (excluding gold ores and concentrates)

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means 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);

6. expenditures (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories, or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

7. expenditures under a contract in respect of which the Association determines that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the Credit during the procurement or execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the Association to remedy the situation.

