

September 15, 1998

His Excellency Talaibek Koichumanov
Minister of Finance
Ministry of Finance
Erkindik Boulevard,
58 Bishkek 720874 Kyrgyz Republic

Your Excellency:

Re: Credit Number 2717-KG (Private Enterprise Support Project)
Amendment to Credit Agreement

We refer to the Credit Agreement (the Agreement) between us for the above-captioned Project dated June 20, 1995, as amended, and to our discussions on the subject of amending said Agreement.

We are pleased to inform you that we hereby agree to amend the Agreement as set forth in the attachment to this letter.

Please confirm your agreement to the foregoing by signing and dating the form of confirmation on the attached copy of this letter and returning said copy to us. The amendments will take effect upon provision to the Association of satisfactory evidence that: (i) the Financial Agency Agreement, satisfactory to the Association, has been executed on behalf of, and is legally binding upon, the parties thereto in accordance with its terms; and (ii) at least one Subsidiary Credit Agreement, satisfactory to the Association, has been executed on behalf of and is legally binding upon the parties thereto in accordance with its terms.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Kiyoshi Kodera
Director
Kazakhstan, Kyrgyz Republic and Turkmenistan Country Unit
Europe and Central Asia Region

CONFIRMED:

KYRGYZ REPUBLIC

By /s/ Talaibek Koichumanov
Minister of Finance

Date: October 1, 1998

ATTACHMENT

1. Section 1.02 is amended to read:

"Section 1.02. 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:

- for the
- (a) "Apex Group" means the separate group established within the NBKR carrying out of Parts A and B (ii) of the Project;
 - (b) "Beneficiary" means a private enterprise to which a Participating Commercial Bank proposes to make or has made a Sub-loan, whose subscribed

and fully paid in capital is controlled at least 51% by private investors;

(c) "Financial Agency Agreement" means the agreement to be entered into between the Borrower and the NBKR, as the same may be amended from time to time, pursuant to which the NBKR, through the Apex Group, shall act as the Borrower's financial agent for the purpose of carrying out Parts A and B (ii) of the Project;

(d) "Goskominvest" means the Borrower's State Investment Agency;

(e) "Investment Sub-loan" means a loan made or proposed to be made by a Participating Commercial Bank to a Beneficiary for a Sub-project out of the proceeds of the Credit for capital expenditures in fixed assets other than land, including buildings (except for housing), plant and machinery, equipment, vehicles, as well as expenditures for other goods and services related to these capital expenditures;

(f) "NBKR" means the National Bank of the Kyrgyz Republic;

(g) "Participating Commercial Bank" or "PCB" means any commercial bank with which the Borrower, through the Apex Group, has entered into a Subsidiary Credit Agreement;

(h) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 28, 1994 and May 21, 1994 between the Borrower and the Association;

(i) "Soms" means the Borrower's lawful currency;

(j) "Special Account" A" and "Special Account B" mean the accounts referred to in Section 2.02 (b) of this Agreement. Special Account A and Special Account B are collectively referred to as "Special Accounts";

(k) "Sub-loan" means an Investment Sub-loan or a Working Capital Sub-loan;

(l) "Sub-project" means an investment or a business plan to be carried out or prepared by a Beneficiary, and approved by a Participating Commercial Bank, utilizing the proceeds of a Sub-loan;

(m) "Subsidiary Credit Agreement" and "Subsidiary Credit" mean, respectively, any agreement entered into by the Borrower, through the Apex Group, and a Participating Commercial Bank for the purpose of carrying out Part A of the Project, and any credit made pursuant to a Subsidiary Credit Agreement; and

(n) "Working Capital Sub-loan" means a loan made or proposed to be made by a Participating Commercial Bank to a Beneficiary for a Sub-project out of the proceeds of the Credit for all working capital expenditures (except for imports of consumer goods), for the procurement of raw materials, semi-finished goods, spare parts or services.

2. Section 2.02 (a) is amended to read:

"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: (i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of services and training required for Part B of the Project and to be financed out of the proceeds of the Credit; and (ii) amounts paid (or, if the Association shall so agree, to be paid) on account of withdrawals made by a Beneficiary under a Sub-loan to meet the reasonable cost of goods and services required for the Sub-project in respect of which the withdrawal from the Credit Account is requested."

3. In Section 2.03, the Closing Date is amended to read "June 30, 2002".

4. Section 2.09 is deleted.

5. Section 3.01 is amended to read:

"Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out or cause to be carried out the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, environmental and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out or cause to be carried out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement."

6. Section 3.02 is deleted.

7. Sections 3.03 and 3.04 are renumbered, respectively, as Sections 3.02 and 3.03.

8. Section 3.05 is renumbered as Section 3.04 and amended to read:

"Section 3.04. (a) The Borrower shall, by June 30, 2000, carry out a mid-term review and prepare, under terms of reference satisfactory to the Association, a report on the progress achieved under the Project and the appropriateness of the implementation arrangements for the Project and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

(b) The Borrower shall review with the Association, by September 30, 2000, or such later date as the Association shall request, the report referred to in paragraph (a) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Association's views on the matter."

9. Section 4.01(a) is amended to read:

"Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate 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 for carrying out the Project or any part thereof."

10. Section 4.01(b) is deleted.

11. Section 4.01(c) is renumbered as Section 4.01(b) and, in the first line of letter (i), the words "paragraphs (a) and (b)" are replaced by the words "paragraph (a)."

12. Section 4.01(d) is renumbered as Section 4.01(c).

13. Section 5.01 is amended to read:

"Pursuant to Section 6.02(h) of the General Conditions, the following additional events are specified, namely, that: (a) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution, disestablishment, or suspension of the operations of Goskominvest; and (b) the Financial Agency Agreement shall have been repealed, suspended or amended without obtaining the Association's prior agreement."

14. Section 5.02 is amended to read:

"Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified: the events specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur."

28. Paragraph 5(e) of Schedule 5 is deleted.

29. In the penultimate sentence of paragraph 5 of Schedule 5, the words "for Parts A and B of the Project" are deleted.

ANNEX I

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) (a) Sub-loans under Part A of the Project	9,632,486.06	100% of amounts disbursed
(2) Consultants' services and training		100%
(a) under Part B (i) of the Project	40,000.00	
(b) under Part B (ii) of the Project	40,000.00	
(3) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost); and 90% of local expenditures for other items procured locally
(a) under Part B (i) of the Project	40,000.00	
(b) under Part B (ii) of the Project	40,000.00	
* (4) Consultants' services and training under Part C of the Project for the PAU	33,379.30	100%
* (5) Goods under Part C of the Project for		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(a) the PAU	12,438.23	
(b) the FERD	42,756.70	
* (6) Audit of Project Accounts	7,938.75	100%
(7) Refunding of Project Preparation Advance	126,930.46	Amounts due pursuant to Section 2.02 (c) of this Agreement
* (8) Operating Expenditures of the PAU	5,070.50	100% of expenditures incurred in the first year; 90% of expenditures incurred in the second year; and 70% of expenditures incurred in the third year
(9) Unallocated	79,000.000	
TOTAL	10,100,000	

* Amounts shown in Categories (4), (5), (6) and (8) represent amounts already disbursed in respect of components which were included in the Project but were discontinued under this letter of amendment.

ANNEX II

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in: (i) accelerating the development and growth of private and privatized enterprises; and (ii) strengthening the capacity of commercial banks to ensure effective project appraisal, risk management and loan delivery.

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: Credit Line

Operation of a credit facility for the financing of Sub-projects through the provision of Sub-loans to Beneficiaries.

Part B: Enterprise and Banking Sector Support

(i) Provision of consultants' services and training to private and privatized enterprises for the preparation and implementation of business plans and investment projects.

(ii) Provision of consultants' services and training to commercial banks with a view to strengthening their capacity for project appraisal, risk management and loan delivery.

* * *

The Project is expected to be completed by December 31, 2001.

ANNEX III

SCHEDULE 3

Section I. Procurement of Goods and Works

Part A: General

Goods and works 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

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works under Part A of the Project estimated to cost less than \$500,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods under Part A of the Project estimated to cost less than \$1,000,000 equivalent per contract, and vehicles, computers and office equipment under Part B of the Project estimated to cost less than \$150,000 equivalent per contract, 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.

3. National Shopping

Goods under Parts A and B of the Project, estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement of Civil Works with Small Value

Works (including repairs to existing facilities and installation of equipment) estimated to cost \$250,000 equivalent or less per contract, shall be procured under lump sum, fixed price contracts awarded on the basis of bids obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and, where applicable, relevant drawings. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to successfully complete the contract.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts under international competitive bidding procedures or national competitive bidding procedures, the proposed procurement plan for Part A of the Project shall be furnished to the Association for its review and approval, in accordance with the provision of Paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works 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: (i) each contract to be procured under the provisions of Part B of this Section on the basis of international competitive bidding procedures; (ii) each contract for works estimated to cost the equivalent of \$500,000 or more; and (iii) the first contract funded by each Participating Commercial Bank, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

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 Guidelines shall apply.

ANNEX IV

SCHEDULE 4

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 3.01 (b) of this Agreement.

A. Implementation Responsibilities

1. For the purposes of carrying out Parts A and B (ii) of the Project, the Borrower shall cause the NBKR to:

(a) maintain the Apex Group, throughout the execution of Parts A and B (ii) of the Project, with staff and terms of reference satisfactory to the Association;

(b) monitor, through the Apex Group, the overall execution of Parts A and B (ii) of the Project; and

(c) maintain records and accounts for Parts A and B (ii) of the Project and arrange for the audit thereof; and

(d) submit to the Association, through the Apex Group, annual reports on the overall execution of Parts A and B (ii) of the Project.

2. For the purposes of carrying out Part A of the Project, the Borrower shall:

(a) relend to the Participating Commercial Banks, through the NBKR, the equivalent of the proceeds of the Credit allocated from time to time to Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement under Subsidiary Credit Agreements to be entered into between the Borrower, represented by the NBKR, and each such Participating Commercial Bank, under terms and conditions which shall have been approved by the Association and which shall include, without limitation, those set forth in Part B of this Schedule;

(b) monitor, through the Apex Group, the carrying out by the Participating Commercial Banks of their respective Subsidiary Credit Agreements in accordance with policies and procedures satisfactory to the Association;

(c) take or cause to be taken all action necessary or appropriate on its part to enable the Participating Commercial Banks to perform in accordance with the provisions of their respective Subsidiary Credit Agreements all the obligations of the Participating Commercial Banks therein set forth, and not take or permit to be taken any action which would prevent or interfere with such performance;

(d) exercise its rights under the Subsidiary Credit Agreements, through the Apex Group, in such manner as to protect the interests of the Association and the Borrower and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, not assign, amend, abrogate or waive any such Agreement or any provision thereof; and

(e) submit to the Association, through the Apex Group, semi-annual reports on the cumulative amount of Sub-loans made by each Participating Commercial Bank to a Beneficiary for a Sub-project out of the proceeds of the Credit.

3. For the purposes of carrying out Part B (i) of the Project, the Borrower shall:

(a) maintain Goskominvest, throughout the execution of Part B (i) of the Project, with staff and terms of reference satisfactory to the Association;

(b) extend to Goskominvest, on a grant basis, the equivalent of the proceeds of the Credit allocated from time to time to Category (2)(a) and (3)(a) of the table set forth in paragraph 1 of Schedule 1 to this Agreement;

(c) take or cause to be taken all action, including the provision of funds, facilities and other resources, necessary or appropriate on its part to enable Goskominvest to achieve the objectives of Part B (i) of the Project, and not take or permit to be taken any action which would prevent or interfere with the achievement of such objectives; and

(d) cause Goskominvest to submit to the Association annual reports on the overall execution of Part B (i) of the Project.

B. Principal Terms and Conditions of the Subsidiary Credit Agreements

1. The principal amount to be relend out of the proceeds of the Credit to a Participating Commercial Bank under its respective Subsidiary Credit Agreement shall be: (a) denominated in Dollars; and (b) the equivalent of the aggregate amount of the principal of all Sub-loans made or to be made out of the proceeds thereof.

2. The Subsidiary Credit shall be charged, on the principal amount thereof withdrawn and outstanding from time to time, interest, during each one-year period commencing on July 15 of each calendar year, at a rate equal to LIBOR, as shall be

determined by the NBKR on the basis of guidelines acceptable to the Association, or at such other market-based rate acceptable to the Association, plus a margin of two per cent (2%). The Borrower shall ensure that, out of said margin: (a) a portion equal to one point twenty-five per cent (1.25%) will be allocated to the NBKR in consideration of the operational costs incurred by the Apex Group in the carrying out of Parts A and B (ii) of the Project; and (b) a portion equal to zero point seventy-five per cent (0.75%) will be allocated to Goskominvest in consideration of the operational costs incurred by Goskominvest in the carrying out of Part B (i) of the Project.

3. The Subsidiary Credit shall be repaid in accordance with an amortization schedule pursuant to which each portion thereof utilized in the making of a Sub-loan shall have a maturity calculated to conform to the amortization schedule applicable to such Sub-loan.

4. The right of a Participating Commercial Bank to the use of the proceeds of its respective Subsidiary Credit shall be: (a) suspended upon failure of such Participating Commercial Bank to perform any of its obligations under its respective Subsidiary Credit Agreement or to continue to be in compliance with all legal and regulatory requirements applicable to its operations; and (b) terminated if such right shall have been suspended pursuant to subparagraph (a) hereof for a continuous period of 120 days.

5. A Subsidiary Credit Agreement may be entered into with a commercial bank, duly established and operating under the laws of the Borrower, which the Borrower, with the assistance of the NBKR, shall have determined, and the Association shall have agreed, that such commercial bank:

(a) is in compliance with all legal and regulatory requirements applicable to its operations;

(b) has been in operation for at least one year and is operating pursuant to: (A) investment and lending policies and procedures which the Association and the NBKR shall have judged acceptable, and has undertaken to maintain said policies and procedures; and (B) prudential regulations, issued by the NBKR, including those providing for the following requirements: (i) the commercial bank must satisfy the minimum paid-up capital norms; (ii) the risk-weighted capital adequacy ratio of the commercial bank must not be less than eight per cent (8%); (iii) the exposure of the commercial bank to any single client, as a percentage of the equity capital of the commercial bank, must not be higher than twenty-five per cent (25%); (iv) the exposure of the commercial bank to insiders and affiliated companies, as defined by the NBKR, must not be higher than five per cent (5%) of the equity capital of the commercial bank; and (v) the exposure of the commercial bank to companies linked with it, as defined by the NBKR, must not be higher than sixty per cent (60%) of the equity capital of the commercial bank; and

(c) has a satisfactory financial structure, determined, inter alia, on the basis of risk-based capital adequacy criteria satisfactory to the Association, policies and performance, and the organization, management, staff and other resources required for the efficient carrying out of its operations, including its activities to be undertaken under Part A of the Project.

6. Each respective Subsidiary Credit Agreement shall contain provisions pursuant to which each respective Participating Commercial Bank shall undertake to:

(a) carry out its activities under Part A of the Project and conduct its operations and affairs in accordance with appropriate financial standards and practices, with qualified management and staff in adequate numbers, and in conformity with the investment and lending policies and procedures referred to in paragraph 5 (b) hereof, and to provide, promptly as needed, the funds, facilities, services and other resources required for the purpose;

(b) (i) make Sub-loans to Beneficiaries on the terms and conditions set forth in this Schedule; (ii) exercise its rights in relation to each such Sub-loan in such manner as to protect its interests and the interests of the Borrower and the Association, comply with its obligations under its respective Subsidiary Credit Agreement and achieve the purposes of Part A of the Project; (iii) not assign, amend,

abrogate or waive any of its agreements providing for Sub-loans, or any provision thereof, without prior approval of the Borrower, through the Apex Group; and (iv) appraise Sub-projects and supervise, monitor and report on the carrying out by Beneficiaries of Sub-projects, in accordance with guidelines satisfactory to the Association and the Borrower;

(c) maintain staff and other resources and terms of reference, satisfactory to the Association and the Borrower;

(d) (i) exchange views with, and furnish all such information to the Association or the Apex Group, as may be reasonably requested by the Association, the Borrower, or the Apex Group, with regard to the progress of its activities under Part A of the Project, the performance of its obligations under its respective Subsidiary Credit Agreement, including its continued compliance with the accreditation eligibility criteria, and other matters relating to the purposes of Part A of the Project; and (ii) promptly inform the Association and the Apex Group of any condition which interferes or threatens to interfere with the progress of its activities under its respective Subsidiary Credit Agreement;

(e) (i) maintain records and accounts adequate to reflect, in accordance with international accounting standards and sound accounting practices, its operations and financial condition; (ii) prepare and provide to the Association and the Apex Group semi-annual financial statements based on international accounting standards, using formats and software acceptable to the Association; (iii) have its financial statements for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association and the Apex Group; (iv) furnish to the Association and the Apex Group, as soon as available, but in any case not later than six months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited, and the report of such audit by said auditors in such scope and detail as the Association and the Apex Group shall have reasonably requested; (v) furnish to the Association such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Association shall from time to time reasonably request; and (vi) carry out, if so requested by the Association or the Apex Group, a performance review of its operations under Part A of the Project; and

(f) ensure that the appraisal of Sub-projects is undertaken in accordance with: (i) the principal terms and conditions set forth in this Schedule; (ii) guidelines acceptable to the Association and the Apex Group; and (iii) the applicable environmental laws and standards of the Borrower and the environmental policies of the Association.

C. Principal Terms and Conditions of the Sub-loans

1. The principal amount of each Sub-loan made out of the proceeds of the Credit allocated from time to time to Category (1) of the table set forth in paragraph 1 of Schedule 1 to this Agreement shall be denominated in Dollars or Soms and be equivalent in Dollars (determined as of the date or respective dates of withdrawal from the Credit Account or payment out of Special Account A) of the value of the currency or currencies so withdrawn or paid out on account of the cost of goods, works and services financed out of such proceeds for the Sub-project.

2. Except as otherwise agreed between the NBKR and the relevant Participating Commercial Bank, in consultation with the Association, each Sub-loan denominated in Dollars shall be charged interest, on the principal amount thereof withdrawn and outstanding from time to time, at a rate equal to the rate that is positive in real terms and charged by the NBKR to the Participating Commercial Bank under the relevant Subsidiary Credit Agreement, plus a margin not exceeding seven percent (7%).

3. Each Sub-loan denominated in Soms shall be charged interest, on the principal amount thereof withdrawn and outstanding from time to time, at a rate that is positive in real terms and equal to the rate charged by the Borrower to the Participating Commercial Bank making such Sub-loan, plus a margin not exceeding seven per cent (7%), plus such additional margin, acceptable to the Association and the NBKR, as may be required by said Participating Commercial Bank to cover its foreign currency exchange risk.

4. Each Investment Sub-loan shall be made for a period determined on the basis of the estimated cash flow of financed Sub-projects and not exceeding seven years, with a grace period not exceeding two years.

5. Each Working Capital Sub-loan shall be made for a period determined on the basis of the estimated cash flow of financed Sub-projects and not exceeding two years, with a grace period not exceeding six months.

6. Sub-loans shall be made to Beneficiaries who each shall have established to the satisfaction of the Participating Commercial Bank making the Sub-loan, on the basis of guidelines acceptable to the Association and the Apex Group, that:

(a) it is creditworthy, and has a satisfactory financial structure and the organization, management, staff and financial and other resources required for the efficient carrying out of its operations, including the carrying out of the Sub-project; and

(b) its debt-to-equity ratio, after receipt of the Sub-loan, does not exceed a proportion of 70:30.

7. Sub-loans shall be made for Sub-projects which are each determined, on the basis of an appraisal carried out in accordance with guidelines satisfactory to the Association and the Apex Group, to be:

(a) technically feasible and economically, financially and commercially viable;

(b) estimated to provide a financial rate of return of not less than twenty per cent (20%) and an economic rate of return of not less than fifteen per cent (15%); and

(c) contributing to the increase of production and productivity in areas of economic activity agreeable to the Borrower and the Association, except for the production of goods such as military equipment, illegal drugs, tobacco, and products and services which adversely affect the environment.

8. Sub-loans shall be made on terms whereby the Participating Commercial Bank making the Sub-loan shall obtain, by written contract or other appropriate means, rights adequate to protect its interest and those of the Borrower and the Association, including the right to:

(a) require the Beneficiary to carry out the Sub-project with due diligence and efficiency and in conformity with appropriate technical, economical, financial and commercial practices, to maintain adequate records, and to provide, promptly as needed, the fund, facilities and other resources required for the purpose;

(b) require that the goods, works and services to be financed out of the proceeds of the Credit to be procured in accordance with the provisions of Schedule 3 to this Agreement, and use such goods, works and services exclusively in the carrying out of the Sub-project;

(c) inspect, by itself or jointly with representatives of the Association or the Apex Group on behalf of the Borrower, if the Association, the Borrower, or the Apex Group shall so request, the goods and the sites, works, plans and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(d) require that the Beneficiary shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods;

(e) obtain all such information as the Association, the Borrower, or the Apex Group shall reasonably request relating to the foregoing and to the administration,

operations and financial condition of the Beneficiary and to the benefits to be derived from the Sub-project; and

(f) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Credit upon failure by such Beneficiary to perform its obligations under its contract with the Participating Commercial Bank.

