Re: Kyrgyz Republic: European Union Food Crisis Rapid Response Facility,
Grant No.TF096043
(Kyrgyz Agricultural Investments and Services Project)

Excellency:

In response to the request for financial assistance made on behalf of Kyrgyz Republic (“Recipient”), I am pleased to inform you that the International Development Association (“Donor”) under the European Union Food Crisis Rapid Response Facility Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed six million seven hundred thousand Euros (EUR6,700,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to
the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective when the effectiveness conditions specified by the World Bank in Section 4.01 of this Agreement is met.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Philippe Le Houerou
Vice President
Europe and Central Asia Region

AGREED:
KYRGYZ REPUBLIC

By: Chorobek Imashev
Authorized Representative

Name: Chorobek Imashev
Title: Minister of Finance
Date: October 9, 2010

Enclosures:

(2) Disbursement Letter dated October 9, 2010, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 1, 2008 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

   a. "Agricultural Investments and Services Project" or "AISP" means the project funded under the Financing Agreement, dated June 20, 2008 (Grant Number H371-KG), between the Kyrgyz Republic and the International Development Association.

   b. "Agricultural Project Implementation Unit" or "APIU" means the unit established by the Recipient within its Ministry of Agriculture for the purposes of managing, implementing and coordinating AISP.

   c. "Environmental Management Plan" or "EMP" means the Recipient’s environmental management plan for the AISP, furnished to the World Bank, as such plan may be updated from time to time in agreement with the World Bank, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the AISP to offset or reduce adverse environmental, natural habitats and cultural property impacts to levels acceptable to the World Bank;

   d. "Project Operational Manual" means Project Operational Manual for the AISP furnished to the World Bank, setting forth the principles and procedures governing the implementation of the AISP and the Project, as the same may be amended from time to time in agreement with the World Bank.

   e. "Veterinary Research Institute named after A. Duisheev" or "Veterinary Research Institute" means a Recipient’s public institution that is entrusted by the Recipient to provide technical support to the Project.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objectives of the Project are to improve the Recipient’s institutional and infrastructure environment for more productive, profitable and sustainable livestock and crop production by pasture users and smallholder farmers and to reduce the economic impact of the zoonotic disease burden in the human population. The Project consists of the following parts:
**Part A: Animal Health**

a) Provision of technical assistance for developing national strategies for animal disease control and annual plans for animal disease control actions.

b) Provision of technical assistance, training and goods for establishing an animal disease surveillance and monitoring system, and for developing a national information system on animal diseases through:

   (i) the implementation of more effective scanning and targeted animal disease surveillance methodologies to refine and focus the vaccination programs supported by the Project, and for conducting ongoing monitoring of disease burden in herds and flocks of animals;
   
   (ii) supporting capital investments for and capacity building of the central veterinary laboratory and the regional veterinary laboratories in Osh and Kochkor cities to strengthen the laboratories’ diagnostic capabilities;
   
   (iii) supporting the Veterinary Research Institute to enhance its capacity in areas of veterinary research pertaining to activities under this Project; and
   
   (iv) the establishment of a national animal disease information system (NADIS) and an epidemiology unit at State Veterinary Department in Bishkek.

c) Carrying out a nation-wide public information campaign for the purposes of explaining the benefits of the Project for human health and livestock productivity, including disseminating information about the vaccination campaign and sensitizing the public on measures to minimise the transmission of zoonotic diseases;

d) Provision of training to veterinarians, Pasture Management Committees established under the AISP on the veterinary vaccination program and to laboratory staff on carrying out diagnostics for disease surveillance;

e) Provision of equipment to the State Veterinary Department as well as to private veterinarians, including provision of vaccines procured from internationally certified sources, as well as diagnostics kits and disinfection materials to said department and veterinarians;

f) Implementation of a veterinary vaccination program against brucellosis and other priority diseases; and

g) Carrying out a baseline survey and annual impact assessment studies to estimate the financial, economic and social benefits of the veterinary vaccination program in terms of human and animal health, as well as carrying out audits, monitoring and evaluation of the said program.

**Part B: Animal Feeding.** Provision of training for trainers and farmers on animal feeding and husbandry, and to Pasture Management Committees on drought preparedness.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the APIU in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and
2.03. **Institutional and Other Arrangements.** (a) Within one (1) month after the Agreement becomes effective, the Recipient shall establish a Project Steering Committee consisting of representatives from the Recipient’s Ministry of Agriculture, the APIU and the World Bank, with observers representing the Recipient’s Ministry of Health, the State Veterinary Department, the Veterinary Research Institute, the Veterinary Chamber and the State Veterinary Inspectorate, the Donor and a representative of the Recipient’s legislature, which shall collectively be responsible for the oversight of the Project as well as approving annual work plans and annual budgets of the Project. Until the completion of the Project, the Recipient shall maintain the Project Steering Committee with adequate membership and terms of reference satisfactory to the World Bank.

(b) APIU will be the main implementing body for the Project, who also has a responsibility for overall coordination and monitoring of the Project. APIU shall implement the Project in accordance with the Project Operational Manual and EMP.

(c) At all times throughout the implementation of the Project, the Recipient shall maintain APIU with capacity, resources, personnel and responsibility necessary to carry out the Project. The Recipient shall not amend or waive, or permit to be amended or waived the Project Operational Manual and/or the EMP without prior written approval of the World Bank; and

(d) No later than one (1) month after the Agreement becomes effective, the Recipient, through the APIU, shall prepare and send to the World Bank for review and approval an annual work plan and budget for the Project. Thereafter, the annual work plan and budget of the Project for the following calendar years shall be submitted to the World Bank not later than December 15 of each year for review and approval.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed with the World Bank. Each Project Report shall cover the period of one quarter, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants whose qualifications, experience and terms of reference are acceptable to the World Bank.
2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall, upon the World Bank’s request, have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I (excluding paragraph 1.16) of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 (“Procurement Guidelines”), in the case of goods and works; and

(ii) Sections I (excluding paragraph 1.24) and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan:

(A) National Competitive Bidding, subject to the following provisions:

1. The eligibility of bidders shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the World Bank for reasons other than those provided in Section I of the Procurement Guidelines. Exclusion from participation as a result of debarment should result from violation of clearly identified grounds of misconduct and in accordance with a fair and transparent process.

2. Procuring entities shall use the appropriate standard bidding documents acceptable to the World Bank.

3. An extension of bid validity, if justified by exceptional circumstances, shall be requested in writing from all bidders before the expiration date and for a minimum period required to complete the evaluation or award contract.

4. No national preferences may be applied on the basis of the origin of products or labor.

5. Entities in which the State owns a majority shareholding shall not be invited to participate in tenders for the Government unless they are and can be shown to be legally and financially autonomous and they operate under commercial law.

6. Pre-qualification shall be conducted for large works contracts and shall be applied upon the World Bank’s agreement;

7. The pre- and post-qualification criteria shall only pertain to past contract performance, financial, managerial and technical capabilities of bidders.

8. Joint venture partners shall be jointly and severally liable for their obligations.

9. State unit costs shall not be used for contract budgeting and evaluation for civil works contracts.

10. Bids shall be opened in public, immediately after the deadline for their submission. No bids can be rejected at bid opening and under the circumstances referred to Article 6 of the Recipient’s Public Procurement Law.

11. No bids shall be rejected solely because they exceed the estimated price. Bids can be cancelled and new bids invited, only if the conditions of paragraph 2.62 of the Procurement Guidelines, are met.

12. All bid evaluation criteria shall be quantifiable in monetary terms.

13. Qualification criteria for bid evaluation shall be applied on a pass or fail basis.
14. Contracts shall be awarded to qualified bidder having submitted the lowest evaluated substantially responsive bid and no negotiations shall take place prior to the contract award.

15. There should be an effective and independent protest mechanism allowing bidders and interested parties to protest and to have their protest handled in a timely manner.

16. Advance no objection of the World Bank is required for any modifications in the contract scope/conditions during contract implementation.

(B) Limited International Bidding;

(C) Shopping; and

(D) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection, (B) Selection Based on the Consultants’ Qualifications, (C) Selection of Individual Consultants, (D) Single-Source Selection, and (E) Sole Source Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III**

**Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table, excluding (i) expenditures and provisions for possible future losses or debts; (ii) interest owed to any third party; (iii) items already financed from other sources; (iv) purchases of land or buildings; and (v) currency exchange losses (“Ineligible Expenditures”). The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
For the purposes of this Section the term ‘Training’ means training courses, workshops and seminars conducted under the Project, including costs of purchase and publication of materials, rental of facilities and equipment, course fees, travel expenditures and subsistence of trainees.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

   (a) for payments made prior to the date of countersignature of this Agreement by the Recipient,

   (b) for payments for Ineligible Expenditures listed in Section 3.01 of this Annex, and

   (c) for any payment for taxes, charges and duties, excluding social benefit charges, levied by or in the territory of the Recipient in respect of goods and services.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2011.

**ARTICLE IV - EFFECTIVENESS; TERMINATION**

4.01. The Additional Conditions of Effectiveness consist of the following:

   (a) the Project Operational Manual, satisfactory to the World Bank, has been furnished by the Recipient to the World Bank, and

   (b) The EMP is updated satisfactory to the World Bank to address the measures to offset or reduce adverse environmental, natural habitats and cultural property impacts that might be caused under the Project activities, and the EMP has been furnished by the Recipient to the World Bank.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in EURO)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and Training.</td>
<td>4,919,392</td>
<td>88%</td>
</tr>
<tr>
<td>(2) Consultants’ services</td>
<td>1,780,608</td>
<td>90%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,700,000</td>
<td></td>
</tr>
</tbody>
</table>
Article V
Recipient’s Representative; Addresses

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
58 Erkindik Blvd.
Bishkek City, 720040
Kyrgyz Republic

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391