
GRANT NUMBER 0800-KGZ(SF)

GRANT AGREEMENT
(Special Operations)

(Promoting Economic Diversification Program – Subprogram 2)

between

KYRGYZ REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 4 October, 2021

KGZ 52225

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 4 October, 2021 between KYRGYZ REPUBLIC ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Recipient a development policy letter dated 4 May 2021 ("Policy Letter"), setting forth certain objectives, policies and actions, as described in Schedule 1 to the Loan Agreement (as defined below), designed to develop the Economic Diversification Program of the Recipient ("Program");

(B) the Program comprises the second subprogram of a programmatic approach, as described in paragraph 1 of Schedule 1 to the Loan Agreement (as defined below) ("Programmatic Approach"), and the Recipient has applied to ADB for a grant for the purposes of the Program;

(C) by a loan agreement of even date herewith between the Recipient and ADB ("Loan Agreement"), ADB has agreed to make a concessional loan to the Recipient from ADB's ordinary capital resources in the amount of sixty nine million three hundred thousand Dollars (\$69,300,000) for the purposes of the Program ("Loan"); and

(D) ADB has agreed to provide a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All the provisions of ADB's Special Operations Grant Regulations, dated 1 January 2017 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

- (a) Section 2.01(l) is deleted and the following is substituted therefor:

"Program" means the program for which ADB has agreed to make the Grant, as described in the Grant Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Recipient;
- (b) The term "Project" wherever it appears in the Grant Regulations shall be substituted by the term "Program";

- (c) Section 2.01(n) is deleted and the following is substituted therefor:

"Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Grant Agreement;

- (d) The term "Project Executing Agency" wherever it appears in the Grant Regulations shall be substituted by the term "Program Executing Agency"; and
- (e) Section 5.01(b) is deleted.

Section 1.02. Wherever used in this Grant Agreement the several terms defined in the Grant Regulations and in the Loan Agreement have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in the Grant Agreement have the following meaning: "Deposit Account" means the account referred to in paragraph 3 of the Schedule to this Grant Agreement.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources on terms and conditions set forth in this Grant Agreement an amount of ten million seven hundred thousand Dollars (\$10,700,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Program in accordance with the provisions of this Grant Agreement.

Section 3.02. The proceeds of the Grant shall be withdrawn in accordance with the provisions of the Schedule to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2021 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Program, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to the Loan Agreement.

Section 4.02. As part of the reports and information referred to in Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

ARTICLE V

Suspension

Section 5.01. The following is specified as an additional event for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations or cancellation of the Grant pursuant to Section 8.02 of the Grant Regulations: the Loan under the Loan Agreement shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations:

- (a) (i) the Recipient has met the policy actions for the release of the tranche, and (ii) those policy actions continue to be in effect; and
- (b) the Loan Agreement shall have been duly executed and delivered on behalf of the Recipient, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement) shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB: the Loan Agreement has been duly authorized or ratified by, and

executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms, subject only to the effectiveness of this Grant Agreement.

Section 6.03. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Economy and Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Economy and Finance
58 Erkindik Boulevard
Bishkek 720040
Kyrgyz Republic

Facsimile Number:

(996) 312-661-645

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines


Facsimile Number:

(632) 8636-2444

(632) 8636-2424.


IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

KYRGYZ REPUBLIC

By 

ZHAPAROV AKYLBEK
Minister of Economy and Finance

ASIAN DEVELOPMENT BANK

By 

KANOKPAN LAO-ARAYA
Country Director
Kyrgyz Resident Mission

SCHEDULE**Allocation and Withdrawal of Grant Proceeds**

1. Except as set out in this Schedule or as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.
2. An application for withdrawal from the Grant Account shall be submitted to ADB by the Recipient and shall be in a form satisfactory to ADB.
3. (a) Prior to submitting the first application to ADB for withdrawal from the Grant Account, the Recipient shall nominate an account (Deposit Account) at NBKR into which all withdrawals from the Grant Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with the applicable regulations and procedures of the Recipient.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Recipient shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.
4. No Grant proceeds shall be withdrawn to finance any item specified in the Attachment to this Schedule.
5. The Recipient may withdraw the Grant upon effectiveness of this Grant Agreement.

Negative List

No withdrawals of Grant proceeds will be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Recipient:

Table: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
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), nonirradiated 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, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

- (ii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (iii) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (iv) expenditures for narcotics;
- (v) expenditures for environmentally hazardous 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; and
- (vi) expenditures on account of any payment prohibited by the Recipient in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.