January 30, 2012

Mr. Akylbek Japarov  
Minister of Finance  
Ministry of Finance  
Erkindik Boulevard 58  
Bishkek  
Kyrgyz Republic

Re: Additional Financing Swiss Grant for Co-financing of the 
Kyrgyz Republic Health and Social Protection Project  
Grant No. TF011531

Dear Mr. Minister,

In response to the request for additional financial assistance made on behalf of the Kyrgyz Republic ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by the Government of Switzerland under TF070944 for the Health and Social Protection Project ("IDA Grant Number H197-KG"), ("Donor") under the Health and Social Protection Project, proposes to extend to theRecipient a grant in an amount not to exceed one million one hundred twenty-two thousand and eight hundred United States Dollars (US$1,122,800) (the “Additional Financing Swiss 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 from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw proceeds of the Additional Financing Swiss Grant 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 as of the date of the countersignature.
Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION
By

Alexander Kremer
Acting Regional Director
Central Asia

AGREED:
KYRGYZ REPUBLIC
By

Minister of Economy and Finance

Name: Askeldar Togtok
Title: Minister of Finance
Date: March 26, 2010

Enclosures:

✓ (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
✓ (2) Disbursement Letter of the same date as this Agreement, 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 31, 2010 ("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 the Development Grant Agreement, dated March 10, 2006, for IDA Grant Number H197-KG.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve the health status in the Kyrgyz Republic by improving access, financial protection, efficiency, equity and fiduciary performance in the Kyrgyz health sector; to ensure sufficient and reliable financing for the health sector; and to strengthen the targeting of social benefits by developing effective administration and information management systems to improve access to social services in general. The Project consists of Part A of IDA Grant Number H197-KG.

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 Ministry of Health 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 IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** On behalf of the Recipient, the Ministry of Health shall have overall leadership and coordination role for the execution of the Project, with staffing and resources adequate to enable it to effectively oversee the Project Implementation. The Ministry of Health shall designate its Finance Department to: (a) prepare applications for withdrawal of the Additional Financing Swiss Grant proceeds; (b) maintain records and accounts related to the Project and arrange the audits thereof; and (c) incorporate procurement activities reports into annual reports referred to in Section 2.04 below.

2.04. The Recipient, through the Ministry of Health, shall maintain until completion of the Activities, the Health Policy Council, headed by the Ministry of Health, consisting of State Secretary, deputy Ministers, and heads of departments, which will be responsible for coordinating the Activities.

2.05. The Recipient shall maintain the Inter-ministerial Coordination Committee consisting of representatives of the Ministry of Health, Ministry of Finance, MoSD which will be responsible for: (a) inter-ministerial coordination of the Project activities, including harmonization activities;
and (b) review of effective functioning of complaint mechanism in case of misuse of the Additional Financing Swiss Grant funds and taking follow up measures in case of serious or unresolved complaints by internal auditors and/or third party audit to ensure the independence and reliability of the system.

2.06. The Recipient, through the Ministry of Finance, shall, by October 1 of each year, approve financing for the health sector in the amounts agreed at annual sector review meeting held in May of each year.

2.07. The Recipient, through the Ministry of Finance, shall execute the approved budget for the health sector in full and in a timely manner.

2.08. The Recipient, through the Ministry of Health, shall, by October 1 of each year furnish to the World Bank an Annual Program of Work (APW) for the next budget year and an updated Procurement Plan for its prior review and approval.

2.09. The Recipient, through the Ministry of Health, shall undertake all measures necessary to ensure that the Program shall be carried out in a manner which fosters transparency and accountability.

2.10. **Safeguards.** The Recipient, through the Ministry of Health, shall: (a) carry out the Activities with due diligence and efficiency, and in accordance with the provisions of the Project Operational Manual, including provisions of the EMP, and shall not amend, suspend, abrogate, repeal or waive any provision of the Project Operational Manual without prior approval of the World Bank; (b) promptly provide the funds, facilities, services and other resources required for that purpose; (c) furnish all information covering the Activities and the use of the proceeds of the Additional Financing Swiss Grant as the World Bank shall reasonably request; (d) from time to time exchange views with the World Bank's representatives on the progress and results of the Activities; (e) take all necessary measures required to enable the World Bank to visit the territory of the Recipient for purposes related to the Additional Financing Swiss Grant; and (f) cause all services financed out of the proceeds of the Additional Financing Swiss Grant to be used exclusively for the purposes of the Additional Financing Swiss Grant. Without limitation on the foregoing, the Recipient shall, if the World Bank shall so request, prepare and furnish to the World Bank promptly upon completion of the Activities, a report, in form and substance satisfactory to the World Bank, on the results and impact of the Activities.

2.11. **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 acceptable to the World Bank. Each Project Report shall cover the period of six (6) calendar months and shall be furnished to the World Bank not later than forty five (45) days 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 three (3) months after the Closing Date.
2.12. **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 not later than forty five (45) days after the end of each calendar semester, covering six (6) months, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. The first such audit of the Financial Statements shall cover the period of one (1) 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.

2.13. **Procurement.** Except as the World Bank shall otherwise agree, procurement of the services required for the carrying out of the Activities and to be financed out of the proceeds of the Additional Financing Swiss Grant shall be governed by the provisions of Section 3.02 and Schedule 3 to the Development Grant Agreement for IDA Grant Number H197-KG.

### Article III

**Withdrawal of Grant Proceeds**

3.01. (a) The amount of the Additional Financing Swiss Grant shall be credited to an account opened by the World Bank on its books in the name of the Recipient (the Additional Financing Swiss Grant Account), and may be withdrawn there from by the Recipient in accordance with the provisions of this paragraph 4, for expenditures in respect of the reasonable cost of services required for the Activities and to be financed out of the proceeds of the Additional Financing Swiss Grant.

(b) The table below sets forth the Categories of items to be financed out of the proceeds of the Additional Financing Swiss Grant, the allocation of the amounts of the Additional Financing Swiss Grant to each Category, and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Additional Financing Swiss Grant Allocated (Expressed in US$)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers for APWs</td>
<td>1,122,800</td>
<td>Such amount of Eligible Program Expenditures as shall be agreed upon between the Recipient and the World Bank for respective APW</td>
</tr>
</tbody>
</table>

1,122,800

For the purposes of this paragraph, the term: “transfers for APWs” means the amount of the proceeds of the Additional Financing Swiss Grant transferred by the World Bank, through
the Recipient’s Ministry of Finance, to the Ministry of Health’s budget to cover reasonable costs of goods, works, consultants’ services, training, incremental operating costs and recurrent costs required for the implementation of respective APW.

3.02. (a) Notwithstanding the provisions of sub-paragraph 2.14(b) above, no withdrawals shall be made in respect of: (i) payments made for expenditures prior to the date of this Letter Agreement; (ii) transfers for APWs, unless the Ministry of Health’s budget has been approved by the Recipient for the Fiscal Year covered by the respective APW; and (iii) expenditures for the purpose of any payment to persons or entities if such payment, to the World Bank’s knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

(b) The Recipient may withdraw amounts of the Additional Financing Swiss Grant only to the extent that such amounts are available to the World Bank from the Government of Switzerland for the purposes of the Additional Financing Swiss Grant;

(c) No withdrawals shall be made from the Additional Financing Swiss Grant Account after June 30, 2012, or such later date that the World Bank shall establish by notice to the Recipient (the Closing Date). However, withdrawals may be made after the Closing Date for expenditures incurred prior to the Closing Date if the corresponding withdrawal application is received by the World Bank within four months after the Closing Date, after which time any amount of the Additional Financing Swiss Grant remaining unwithdrawn from the Additional Financing Swiss Grant Account shall be canceled; and

(d) The use of any proceeds of the Additional Financing Swiss Grant to pay for taxes levied by, or in the territory of, the Recipient on the services to be financed under the Additional Financing Swiss Grant, or on their procurement or supply, is subject to the World Bank’s policy of requiring economy and efficiency in the use of the proceeds of grants such as this Additional Financing Swiss Grant. To that end, if the World Bank shall at any time determine that the amount of any taxes levied on or in respect of any services to be financed out of the proceeds of the Additional Financing Swiss Grant is excessive or otherwise unreasonable, the World Bank may, by notice to the Recipient, adjust the percentage of financing of such services set forth in the table in sub-paragraph 3.01.(b) above, as required to be consistent with such policy of the World Bank.

Article IV
Additional Remedies

4.01. Additional Events of Suspension. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

(a) The World Bank may at any time, by notice to the Recipient, suspend the right of the Recipient to make further withdrawals from the Additional Financing Swiss Grant Account if any of the following events has occurred and is continuing: (a) the Recipient has failed to comply with any of its obligations herein specified; or (b) the right of the Recipient, or any other entity to which the International Development Association (the IDA) has made a loan with the guarantee of the Recipient, to make withdrawals under any loan agreement with the IBRD or any development credit, grant or financing agreement with the World Bank shall have been suspended.
(b) The World Bank may, by written notice to the Recipient, terminate the right of the Recipient to make further withdrawals from the Additional Financing Swiss Grant Account: (i) at any time after the right of the Recipient to make withdrawals from the Additional Financing Swiss Grant Account has been suspended pursuant to the provisions of paragraph (a) above; or (ii) if the Recipient has failed to take action, satisfactory to the World Bank, within six months after the effective date of this Agreement, to carry out the Activities.

**Article V**
**Termination**

5.01. **Termination for Failure to Become Effective.** This Agreement and all obligations of the Parties under it shall terminate if it has not entered into effect within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article VI**
**Recipient's Representative; Addresses**

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

6.02. **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

Telex: 245-156 NUR KH  
Facsimile: (996-312) 661645

6.03. **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 USA

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