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Investing in rural people

The Kyrgyz Republic

Access to Markets Project

Negotiated financing agreement

Executive Board — 119<sup>th</sup> Session  
Rome, 14-15 December 2016

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For: Information

# Negotiated financing agreement: "Access to Markets Project (ATMP)"

(Negotiations concluded on 7 December 2016)

Loan Number:

Grant Number:

Project Title: Access to Markets Project (ATMP) ("the Project")

The Kyrgyz Republic (the "Borrower/Recipient")

and

The International Fund for Agricultural Development (the "Fund" or "IFAD")

(each a "Party" and both of them collectively the "Parties")

hereby agree as follows:

## Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2), and the Special Covenants (Schedule 3).
2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Project in accordance with the terms and conditions of this Agreement.

## Section B

1.
  - A. The amount of the Loan is nine million three hundred ninety thousand (SDR 9 390 000).
  - B. The amount of the Grant is nine million three hundred ninety thousand (SDR 9 390 000).
2. The Loan shall be free of interest but bear a service charge of three fourths of one per cent (0.75%) per annum payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board.
3. The Loan Service Payment Currency shall be the USD.
4. The first day of the applicable Fiscal Year shall be 1 January.

5. Payments of principal and service charge shall be payable on each 15 March and 15 September.
6. There shall be four (4) Designated Accounts denominated in US dollars opened by the Borrower/Recipient in a commercial bank identified by the Ministry of Finance (MoF) through which the proceeds of the Financing shall be channelled. Two Designated Accounts shall be for the Agricultural Projects Implementation Unit (APIU) (one for the Loan and another for the Grant) and two for the Community Development and Investment Agency (ARIS).
7. There shall be four (4) Project Accounts in local currency opened by the Borrower/Recipient to receive and hold the proceeds of the Financing transferred from the Designated Accounts.
8. The Borrower/Recipient shall contribute to the Project in an amount of one million six hundred thousand United States dollars (USD 1 600 000) including the payment of taxes and duties levied in the implementation of the Project as well as to cover part of the State Inspectorate for Veterinary and Phytosanitary Security (SIVPSS) operational expenditures.

#### Section C

1. The Lead Project Agency shall be the Ministry of Agriculture, Food Industry and Melioration of the Kyrgyz Republic (MAFIM).
2. The following are designated as additional Project Parties: (a) the ARIS; (b) the APIU; (c) the SIVPSS, (d) EBRD's Small Business Support (SBS); (e) Financial Service Providers (FSPs); (f) the Kyrgyz Veterinary Association (KVA); (g) the Kyrgyz Veterinary Chamber (KVC); (h) the Kyrgyz Livestock and Pasture Research Institute (KLPRI); (i) the Kyrgyz and Scientific Research Veterinary Institute (KSRVI), and (j) the Department of Pastures, Livestock and Fisheries of MAFIM (DPLF).
3. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

#### Section D

The Loan and the Grant will be administered and the Project supervised by the Fund.

#### Section E

1. The following are designated as additional general conditions precedent to withdrawal:
  - (a) The Project Coordination Group (PCG) referred to in paragraph 6 of Schedule 1 to this Agreement shall have been duly established.
  - (b) The Project Key Staff referred to in Schedule 1 to this Agreement, subject to no objection by the Fund, shall have been duly appointed.
  - (c) The draft PIM referred to in section C part II of Schedule 1 to this Agreement shall have been submitted and approved by the Fund.
  - (d) A fully functional accounting software, subject to no objection by the Fund, shall have been established at the APIU and ARIS.

- (e) A Subsidiary Agreement between the Ministry of Finance of the Kyrgyz Republic and ARIS regarding their cooperation in the implementation of the Project, subject to no objection by the Fund, shall have been concluded.
2. The following is designated as additional grounds for suspension of this Agreement:
- (a) The Project Implementation Manual (PIM), or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund, and the Fund has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project, and the Borrower has not taken any measures to remedy the situation.
  - (b) Project key staff are appointed, transferred or removed from their functions without the prior concurrence of the Fund.
3. This Agreement is subject to ratification by the Borrower/Recipient
4. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Minister for Finance of the Kyrgyz Republic  
Ministry of Finance  
58 Erkindik Avenue  
Bishkek City, the Kyrgyz Republic, 720040

For the Fund:

President  
International Fund for Agricultural development  
Via Paolo di Dono 44  
00142 Rome, Italy

This Agreement, dated \_\_\_\_\_, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower/Recipient.

KYRGYZ REPUBLIC

\_\_\_\_\_

INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT

\_\_\_\_\_

Kanayo F. Nwanze  
President

## Schedule 1

### Project Description and Implementation Arrangements

#### I. Project Description

1. **Target Population.** The Project has a national coverage and shall primarily benefit smallholder livestock farmers who participate in and benefit from improved value chains, comprising: (i) poor livestock farmers; (ii) female members of livestock owning households; and (iii) other smallholder livestock farmers. Particular attention will be given to the participation of women and youth.

2. **Goal.** The goal of the Project is to contribute to increased incomes and enhanced economic growth in pastoralist communities.

3. **Objectives.** The objective of the Project is to improve access and integration of smallholder livestock farmers with remunerative markets for their products, leading to improved and equitable returns.

4. **Components.** The Project shall consist of the following four (4) Components:

4.1. **Component 1: Livestock Value Chains Development.** The objective of this Component is to support efficient linkages and partnerships amongst livestock value chain actors, improved access to modern technology and good agricultural practices with a specific focus on cold chain management and traceability.

Sub-component 1.1. **Capacity Building of Livestock Value Chain Stakeholders.** This sub-component will support (i) awareness raising, demand-driven capacity building and advisory services for the participants of pre-selected value chains driven by the Leading Entities (LE) whose selected proposals will be further elaborated by the Project-provided dedicated business advisory services facility into Value Chain Development Business Plans (VCDBPs); (ii) development of innovative, demand-driven livestock production, processing and food safety technologies through participatory on-farm/factory applied research and technology demonstration, delivered by national academic/research institutions, private companies or NGOs.

Sub-component 1.2. **Product Aggregation Enhancement.** This sub-component will support participants of pre-selected value chains through competitive demand-driven investment packages that include a grant element.

Sub-component 1.3. **Platform for Public-Private-Producers Partnerships Development and Knowledge Management.** This sub-component will support a platform for the exchange among value chain actors for better and innovative integration of market demand into production models.

4.2. **Component 2: Livestock Value Chains Financing.** The objective of this component is to enable livestock value chain actors to increase their investment in profitable value chains through linking them with credit lines, and development of financial products.

Sub-component 2.1. **Access to External Credit Lines.** The Project will partner with existing Financial Service Providers (FSPs), subject to no objection by the Fund, targeting agricultural development to link them with actors in pre-selected value chains, including actors assisted through sub-component 1.2. A Memorandum of Understanding (MOU), subject to no objection by the Fund, will be signed with each of the FSPs.

Sub-component 2.2 Innovative Financial Products. The Project will partner with the FSPs interested in the development of financial products suitable to needs of actors in the selected value chains and support the development of such products.

4.3. Component 3: Upgrading the Kyrgyz Livestock Sanitary System. The objective of this Component is to strengthen both key public and private sector arms of the Kyrgyz livestock sanitary system, which facilitate livestock commodity trade and safe food.

Sub-component 3.1 Strengthening the State Veterinary Sanitary System. This sub-component will support the functions of SIVPSS inter alia through (i) improving capacity of SIVPSS; (ii) providing technical assistance; (iii) improving regional laboratories; (iv) supporting animal identification of selected value chains; (v) refurbishing selected border posts; (vi) establishing an active disease surveillance system; and (vii) procuring selected vaccines.

Sub-component 3.2 Strengthening the Private Veterinary Practice System. This subcomponent will support (i) capacity building of veterinarians and paravets as well as extension to farmers; (ii) improving capacity of KVA, and (iii) improving capacity of KVC.

Sub-component 3.3. Strengthening the Supporting State Institutions. This subcomponent will: (i) support functions of the KLPRI and the KSRVI in their respective competence spheres including development and piloting of innovative methods, and (ii) improve capacity of the DPLF.

4.4. Component 4: Project Management. This component shall provide financing for the overall management of the Programme.

## II. Implementation Arrangements

### A. Organisation and management

5. The Lead Project Agency (LPA). The MAFIM will be the Lead Project Agency for the Project.

6. Project Coordination Group (PCG).

6.1. Establishment and composition: The PCG will include representation from each of the Project Parties, representation from the Kyrgyz Governmental office representatives in the oblasts involved in project implementation and stakeholders from the private sector. The PCG should have a balance between government and civil society members. It will meet semi-annually and on an ad hoc basis as required and will serve as advisory body.

6.2 Responsibilities the PCG is responsible for: (i) reviewing progress of the Project against targets and its success in meeting the performance indicators and the progress against the annual work programme; (ii) being a sounding board for discussing issues that arise during implementation and for which it can provide insight and advice to Project management and, (iii) providing the opportunity for Project management to receive feedback on new ideas or approaches that it is considering to introduce under the Project.

## 7. The Agricultural Projects Implementation Unit (APIU).

7.1 Core activities: Under the MAFIM, the APIU will have overall responsibility for Project implementation, coordination, oversight and reporting to IFAD and the government including liaising closely with ARIS. Other APIU's core responsibilities include inter alia: (i) financial management, comprising procurement, disbursement, accounting, auditing and financial reporting, (ii) managing the performance of the partner national organizations responsible for implementation of specific Project activities; (iii) shortlisting, evaluating, contracting and managing the performance of service providers, (iv) overall Project monitoring and evaluation (M&E), (v) preparing the consolidated Annual Work Plan and Budget (AWPB) and submitting it to IFAD for approval; and (vi) maintaining a results-based system of assessing the performance of the partner organizations employing trigger and benchmarks.

7.2 Component activities: The following activities shall be implemented by the APIU: (i) Elements of subcomponent 1.1 comprising capacity building of selected value chains' stakeholders, specifically training, study tours and advisory services through contracted service providers among others through EBRD's Small Business Support facility or other such suitable selected facility that will support LEs in preparation of VCDBPs; but excluding those aspects that ARIS will implement with the community level groups, (ii) sub-component 1.3 through contracted service providers; (iii) Component 2 through FSPs, and (iv) Component 3 comprising strengthening various institutions with their respective assistance, specifically through the SIVPSS, KVA, Veterinary Chamber, KLPRI, KSRVI, and DPLF; but excluding those aspects that ARIS will implement with the community level groups and private vets.

## 8. Community Development and Investment Agency (ARIS).

8.1 Core activities. ARIS will have the overall responsibility for all Project implementation at the community level, focused on Pasture Users Unions (PUUs) and smallholders' groups including the administration of all Project grant funds. ARIS will also ensure: (i) the coordination and accountability for effective performance of the combination of its own staff and technical inputs from the government's technical agencies, public organizations and Project's contracted service providers in the implementation of the community-focused activities for which ARIS is responsible; (ii) the M&E of its own activities, including monitoring of the related performance indicators, assembly and dissemination of information for knowledge management, and the related reporting both to its own management and in a synthesized form to the APIU, and (iii) the Financial management of all its activities including procurement, disbursement, accounting, auditing and financial reporting.

8.2 Component activities. The following activities shall be implemented by ARIS: (i) Elements of Subcomponent 1.1 related to mobilization and mentoring of community level groups and actors; but excluding those activities implemented by the APIU as described above at 7.2; (ii) Sub-component 1.2, and (iii) elements of Component 3 related to mobilization of community level groups and private vets; but excluding those activities implemented by the APIU as described above at 7.2.

## B. Project Implementation Manual ("PIM")

9. Preparation. The Borrower/Recipient shall prepare, in accordance with terms of reference subject to no objection by the Fund, a PIM, which shall include, among other arrangements: (i) institutional coordination including composition of PCG, and day-to-day execution of the Project; (ii) Project budgeting, disbursement, financial management, procurement monitoring, evaluation, reporting and related procedures; (iii) detailed description of implementation arrangements for each Project component, and (iv) such

other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

10. Approval and Adoption. The LPA shall forward the draft PIM to the Fund for comments and approval. The LPA shall adopt the PIM in the form approved by the Fund, and the LPA shall promptly provide copies thereof to the Fund. The Recipient shall carry out the Project in accordance with the PIM and shall not amend, abrogate, waive or permit to be amended, abrogated, or waived, the aforementioned manual, or any provision thereof, without the prior written consent of the Fund.

C. Procurement

11. Procurement for the purpose of this Agreement shall be carried out in accordance with the Fund's Project Procurement Guidelines of 2010 as amended from time to time. No vaccines shall be procured without being certified by a Reference Laboratory of the World Organisation of Animal Health (the "OIE"). Specifications for vaccines procured for animal diseases shall be based on international standards developed or recommended by the OIE.

D. Supervision

12. A MTR shall be conducted at the end of the third Project Year, to assess the progress, achievements, constraints and emerging impact and likely sustainability of the Project and make recommendation and necessary adjustments for the remaining period of disbursement. The MTR shall be carried out jointly by the Borrower/Recipient and the Fund.



## Schedule 2

## Allocation Table

1. Allocation of Loan and Grant Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant and the allocation of the amounts of the Loan and the Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in SDR)	Grant Amount Allocated (expressed in SDR)	Percentage
I. Equipment and materials and Consultancies, training and workshops	5 778 000	4 000 000	The percentage of expenditure to be financed is detailed below under (b)
II. Grants	2 322 000	3 321 000	100% net of beneficiaries contribution
III. Works	351 000		100% net of taxes
IV. Salaries and Operating costs		1 130 000	100% net of taxes, government and beneficiaries contributions
Unallocated	939 000	939 000	
<b>TOTAL</b>	<b>9 390 000</b>	<b>9 390 000</b>	

(b) The terms used in the Table above are defined as follows:

Category I "Equipment and materials and Consultancies, training and workshops" includes : (i) Equipment, materials goods and vehicles to be financed 100% net of tax and duties; (ii) Consultancies to be financed 100% net of taxes and beneficiaries contributions, and shall mean eligible expenditures incurred related to international and national technical assistance; studies; surveys; audit and ARIS facilitation for community work; and (iii) Training and workshops to be financed 100% from IFAD Grant .

Category II "Grants" includes Technology Demonstrations Grants to be financed by the Grant; Grants for Investment packages for supplying farmers to be financed by the Loan, IFAD Grant and beneficiaries; Grants for Investment packages for agroprocessors/traders to be financed by the Loan and beneficiaries; and Grants for Investment packages for private veterinaries and zoo-technicians to be financed by the Grant and beneficiaries.

Category III "Works" includes inter alia costs of renovation of SIVPSS's central and district offices; renovation of border posts, renovation of PPR's vaccine cold storages; renovation/construction of regional vet diagnostic laboratories.

Category IV "Salaries and operating costs" includes inter alia remuneration of APIU staff, allowances and contribution to social fund of the Kyrgyz Republic to be financed (100%) from the Grant.