

RESOLUTION

Bishkek City, House of Government

of July 2, 1996 No. 303

On Kyrgyz Agricultural Finance Corporation

In implementation of the Decree of the President of the Kyrgyz Republic of November 3, 1995 “On Measures Aimed at Further Development and Government Support of the Land and Agrarian Reform in the Kyrgyz Republic”, and with the purpose to provide financial support and lend credit to agricultural goods production and agribusiness enterprises on time, and to foster development of commercially viable private finance institutions and financial market in the rural areas, the Government of the Kyrgyz Republic hereby rules:

1. To form The Kyrgyz Agricultural Finance Corporation at the State Committee for Emergent Financial Support to Agriculture established by the Resolution of the Government of the Kyrgyz Republic of December 29, 1995, No. 582, “On Program for Emergent Financial Support of Agriculture”.
2. To approve the Regulation on the Kyrgyz Agricultural Finance Corporation attached hereto.
3. To establish that the Kyrgyz Agricultural Finance Corporation, shall use the funds provided from the state budget, credits and loans of donor countries, and its own funds to render financial support to agricultural goods producers.
4. The State Committee for Emergent Financial Support to Agriculture shall within one month appoint the director of the Kyrgyz Agricultural Finance Corporation on the competitive basis.
5. The Ministry of Finance of the Kyrgyz Republic and the Ministry of Agriculture and Food of the Kyrgyz Republic before July 10, 1996 shall determine and submit for approval of the State Committee for Emergent Financial Support to Agriculture the amount of funds and the scope of technical assistance required by the budget of the Kyrgyz Agricultural Finance Corporation for implementation of financial activity thereof in 1996/97 agricultural year (July 1, 1996 — June 30, 1997).
6. The Ministry of Finance of the Kyrgyz Republic, Agency for Technical Cooperation at the State Property Fund of the Kyrgyz Republic shall before August 1, 1996 determine the sources and scope of funds required to the Kyrgyz Agricultural Finance Corporation, and the scope of technical assistance for meeting agricultural and agribusiness needs within the period of 1996-1998.
7. The Ministry of Agriculture and Food of the Kyrgyz Republic shall within two weeks resolve the issue of providing the Kyrgyz Agricultural Finance Corporation with office premises, motor vehicles, and technical devices.

8. The Kyrgyz Agricultural Finance Corporation shall within one month draft the Charter, coordinate it with the Ministry of Agriculture and Food of the Kyrgyz Republic, the Ministry of Finance of the Kyrgyz Republic, and the National Bank of the Kyrgyz Republic, and submit that draft charter to the State Committee for Emergent Program of Financial Support to Agriculture for approval.

9. To invalidate point 2 of the Resolution of the Government of the Kyrgyz Republic of December 29, 1995 No. 582 “On Program of Emergent Financial Support of Agriculture”.

10. To charge the Vice Prime Minister of the Kyrgyz Republic B. T. Talgarbekov with the powers to exercise control over the implementation of this Resolution.

Prime Minister

A. Jumagulov

Approved

by Resolution of the Government
of the Kyrgyz Republic

of July 2, 1996

No. 303

REGULATION

On Kyrgyz Agricultural Finance Corporation

1. General Provisions

1. This Regulation is developed in conformity with the Resolution of the Government of the Kyrgyz Republic of February 2, 1996, No. 52 "On Measures of Emergent Financial Support to Agriculture", with the purpose of governing organizational and legal issues of activity of the Kyrgyz Agricultural Finance Corporation (hereinafter "Corporation").

2. To implement the activity of the Corporation, a working body thereof shall be established, headed by the Director. The Corporation shall be an independent legal entity, with the settlements and other accounts (including currency account) in banking institutions, the seal with the State Emblem of the Kyrgyz Republic, and with its name.

3. The property managed by the Corporation is owned by the Kyrgyz Republic, and shall be used solely for the purposes and objectives provided by this Regulation.

4. The Corporation shall be governed in its activity by the legislation of the Kyrgyz Republic, normative acts of the Government of the Kyrgyz Republic, and this Regulation.

2. Goals

5. The Corporation has short term and mid-term goals. Within a short term the Corporation shall provide preferential financial support and lend commercial credits

to agricultural goods producers (private peasants' holdings (farms)) and agribusiness enterprises. The Corporation shall rationalize the support rendered to the agriculture by the Government and donors. While achieving mid-term goals, the Corporation shall foster development of commercially viable financial institutions and the financial market in the rural area, and a step-by-step replacement of the Government funding and preferential lending with commercial and competitive basis.

3. Lending Mechanisms

6. The Corporation shall render the financial support and lend credits on the contractual basis, directly and via district associations of agricultural credit cooperatives, to groups of rural agricultural goods producers, certain large farms (peasant's holdings) with a stable financial position, prospective cattle breeding and seed production holdings, and agribusiness enterprises which ensure the target use of the credits, their repayment within established terms, and which meet the criteria stated herein.

7. The Corporation shall make a contract with agribusiness enterprises involved in providing material and technical resources to agricultural goods producers, and these agribusiness enterprises shall be responsible for consideration of the submitted applications, repayment of individual credits, and for repayment of the entire credit of the Corporation.

8. Where a grant is provided to the Corporation in the form of goods and material resources (fertilizers, chemicals, etc.), the Corporation shall make agreements with agribusiness enterprises — suppliers for providing these resources as a credit to individual rural agricultural goods producers or groups. Agribusiness enterprises shall be responsible for consideration of applications from rural agricultural goods producers for a goods credit, and for repayment of the value of the goods credit and repayment of the entire amount of the credit of the Corporation.

9. The Corporation may use other conditions and the procedure of providing credits, approved by the Government Committee for Emergency Program of Financial Support to Agriculture.

4. Other Activity

10. The Corporation shall foster and fund the rendering of technical assistance and training rural producers and agribusiness enterprises which meet the criteria state herein.

11. The Corporation shall fund the specialized research aimed at collection of information related to the assessment of its activity.

12. The Corporation shall provide training to its personnel.

13. The Corporation shall fund any other activity approved by the decision of the Government Committee for Emergent Program of Financial Support to Agriculture.

14. The Corporation shall hire an international consulting firm for engaging specialists in finance, credit operations, development of institutions for agricultural funding, and for providing assistance to the Director in organizing the work of the Corporation.

5. Organizational Structure

15. The Government Committee for Emergent Program of Financial Support to Agriculture shall be the superior body of the Corporation, and:

- shall approve the policy and rules of procedure of the Corporation's activity;
- approve the principal working financial and audit reports;
- approve annual financial and audit reports;
- approve all principal contracts and procurements;
- appoint and dismiss the Director of the Corporation;
- approve the distribution of donors' financial and technical assistance;
- approve the international consulting firm for providing assistance in management of the Corporation within the first three years of its activity.

16. Sessions of the Government Committee for Emergent Program of Financial Support to Agriculture shall be held quarterly, and its decisions shall be made by the simple majority of votes. The Chair of the Committee has the right of a deciding vote, if the votes split evenly.

6. Operation

17. Where necessary, the Corporation may interfere with the activity of the business entities which received credit from the Corporation, and monitor the target use of such credit. Such interference is made openly and publicly, without discrimination of borrowers.

18. The Corporation shall work independently, and its relations with the Government of the Kyrgyz Republic shall be governed by the resolutions of the Government Committee for Emergent Program of Financial Support to Agriculture. The Government Committee for Emergent Program of Financial Support to Agriculture is the only body to control the activity of the Corporation, and no one has the right to interfere with, or influence, or perform other illegal actions in respect to the activity of the Corporation.

7. Revenues and Resources

19. Sources of funding of the Corporation shall be funds designated for rural producers and agribusiness enterprises. Resources of the Corporation shall be funds rendered by the Government of the Kyrgyz Republic from the budget of the Kyrgyz Republic, credits and grants provided by donor countries, and other sources.

20. The budget of the Corporation for the first financial year shall be submitted for approval to the Government Committee for Emergent Program of Financial Support to Agriculture.

21. Funds of the Corporation shall be placed on one or several bank accounts in independent commercial banks, in the national and hard currency. The Government Committee for Emergent Program of Financial Support to Agriculture shall approve the list of banks where the accounts may be opened.

22. The Corporation shall open the settlements account for lending credits and receipt of funds from repayment of principal amounts of lent credits, and interest on them. After two years of the Corporation 's activity, its administration budget, with the exception of the technical assistance shall be funded directly by the Corporation.

8. Criteria of Lending

23. The Corporation shall render financial assistance and credits to rural producers and agricultural enterprises, subject to the following criteria:

a) for rural producers:

- the applicant must be a private farm (peasants' holding), or a union thereof, a cooperative, partnership, cattle breeding or seeds production holding, experimental holding, or association registered in compliance with the laws of the Kyrgyz Republic;

- the applicant must be a private agribusiness enterprise registered in compliance with laws of the Kyrgyz Republic, and rendering services to rural producers in the form of a goods credit;

- the applicant must be a non-government, or non-commercial, non-profit organization registered in compliance with the laws of the Kyrgyz Republic and rendering financial and technical assistance to rural producers;

- the applicant must have an adequate security to credit investments received from the Corporation, and ensure the conditions for fast use of and lending credits, which are acceptable to the Corporation. The applicant's proposals on the project must comply with the financial, economic and environmental requirements established by the Corporation;

- the applicant must invest his funds in an amount established by the Corporation, to implement the project;

- the applicant must have a satisfactory experience in book keeping and drafting audit reports, or ensure this work by engaging independent specialists;

- clients must have an access to in kind-credits provided by suppliers, and technical expertise on the techniques of their use and application;

b) for the purposes of agribusiness:

- the applicant must meet the criteria stated in paragraphs 3, 5, and 7 of section “a” of point 23 hereof.

- the applicant must have the license to trade, or process agricultural products and to produce goods, which volumes must correspond to figures established by the Corporation;

- all applicants must use funds only for purposes determined in their application. Applicants shall receive credits only subject to the conditions agreed upon between the Corporation and the borrower, and they must immediately provide funds and goods credits, and services by the request of their members or clients.

9. Accounting and Control

24. The activity of the Corporation shall be subject to established book keeping rules, and systems of accounting and control over lending of credits, and their timely repayment.

To perform annual monitoring and audit of the Corporation and to maintain book keeping and accounting thereof, the Government Committee for Emergent Program of Financial Support to Agriculture, shall hire an audit firm with a good reputation. These audit reports shall be subject to consideration and approval by the Government Committee for Emergent Program of Financial Support to Agriculture.

10. Terms of Liquidation

25. The Corporation may be liquidate only subject to the decision of the Government Committee for Emergent Program of Financial Support to Agriculture, or by the Government of the Kyrgyz Republic in compliance with the procedure established by the legislation of the Kyrgyz Republic.