

**CONFORMED COPY**

---

---

**LOAN NUMBER 4848 KZ**

# **Loan Agreement**

**(Ust-Kamenogorsk Environmental Remediation Project)**

**between**

**REPUBLIC OF KAZAKHSTAN**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated February 2, 2008**

---

---

## **LOAN NUMBER 4848 KZ**

### **LOAN AGREEMENT**

Agreement dated February 2, 2008, between REPUBLIC OF KAZAKHSTAN (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

#### **ARTICLE I - GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Loan Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

#### **ARTICLE II - LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of twenty four million two hundred ninety thousand Dollars (US\$24,290,000) (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time.
- 2.06. The Payment Dates are February 15 and August 15 in each year.

- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### **ARTICLE III - PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project, through CWR, in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV - REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Operational Manual shall have been amended, suspended, abrogated or waived without the Bank's prior consent.
  - (b) The law, decree, charter or other founding documents of CWR, including any legal or regulatory enactments upon which such instruments are based, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CWR to perform any of its obligations under this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that any event specified in paragraphs (a) and (b) of Section 4.01 of this Agreement occurs.

### **ARTICLE V - EFFECTIVENESS**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that CWR has appointed the PMU Project Coordinator, under the terms of reference and with qualifications satisfactory to the Bank.
- 5.02. The Effectiveness Deadline is the date one hundred eighty (180) days after the date of this Agreement.

**ARTICLE VI - REPRESENTATIVE; ADDRESSES**

6.01. The Borrower's Representative is the Minister of Finance.

6.02. The Borrower's Address is:

Ministry of Finance  
11 Pobedy Street  
Astana 010000  
Republic of Kazakhstan

Telex:	Facsimile:
265126 (FILIN)	(7) (3172) 717785

6.03. The Bank's Address is:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Astana, Republic of Kazakhstan, as of the day and year first above written.

REPUBLIC OF KAZAKHSTAN

By: /s/ Bolat Zhamishev  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Shigeo Katsu  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to: (a) prevent the groundwater contamination plume's further migration towards the residential areas, the city's sources of drinking water and eventually into Irtysh River; and (b) strengthen institutional mechanisms for groundwater quality monitoring to enable control of ongoing groundwater pollution from local municipal and industrial sources.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

#### Part A: Containment of High-Priority Sources of Groundwater Contamination

Provision of design, civil works, construction supervision and goods for the rehabilitation of selected industrial contaminated sites, namely: (a) conic waste pile No. 6 Ust-Kamenogorsk Lead-zinc Industrial Complex; (b) waste pile No. 6 of UMP; (c) waste pile No.1 UK Heat Power Plant; (d) waste pile No. 1 Titanic and Magnesium Industrial Complex; (e) Ash dump No. 2a and 2b UK Heat Power Plant; (f) waste pile of experimental Lead-zinc Industrial Complex; and (g) sludge storage unit of condenser plant.

#### Part B: Remediation of Current Contaminated Groundwater Sites

1. Provision of design, works, construction supervision and goods for the installation of the pump-and-treat groundwater remediation system, including the well field, pumping systems and treatment process, to remove contaminants from the subsurface by treating the contaminated groundwater that flows from beneath the City of Ust-Kamenogorsk Central Industrial Complex towards the residential areas, the location of the drinking wells and the Irtysh River.

2. Implementation of the groundwater sampling and contamination analysis program for the detailed design and the operation of the groundwater treatment system, including provision of new groundwater monitoring wells for sampling.

Part C: Project Management and Monitoring

Provision of financial and technical assistance to the PMU for: (a) Project management, procurement and financial management; and (b) monitoring and evaluation of Project impacts, including implementation of EMP for construction activities under the Project.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Other Arrangements**

1. The Borrower shall assign the main responsibility for Project implementation to CWR and shall maintain, during execution of the Project, the PMU under CWR with the composition, terms of reference and resources satisfactory to the Bank. The PMU shall be responsible for regular management of Project activities, financial management, procurement, contract supervision and monitoring and reporting.
2. The Borrower shall, within three (3) months of the Project effectiveness, establish and thereafter maintain, during execution of the Project, a Project Supervisory Council, with composition and terms of reference satisfactory to the Bank, which shall be responsible for overseeing Project implementation and coordinating Project activities with local authorities, business community and other stakeholders.
3. The Borrower shall cause CWR to submit any proposal for employment or dismissal of the PMU staff and consultants for the Bank review and approval.
4. The Borrower shall make available for the purposes of the carrying out of the Project, an amount of forty five million four hundred twenty one thousand five hundred and two Dollars (\$45,421,502) to be utilized under the terms and conditions set forth in this Agreement. This amount includes an amount of twenty nine million six hundred twenty two thousand and forty seven Dollars (\$29,622,047) for the groundwater treatment operations referred to in paragraph 5(b) of Section I of Schedule 2 to this Agreement.
5. The Borrower shall ensure that: (a) CWR's annual budget is sufficient to enable CWR to perform its obligations under the Project; and (b) adequate funding is available for all operating and maintenance costs of the groundwater treatment facility under Part B.2 of the Project for a period of fifteen (15) years upon commissioning of the groundwater treatment system.
6. The Borrower shall:
  - (a) not later than two (2) months after the Effectiveness Deadline, prepare and submit to the Bank, an Operational Manual and the Project implementation plan, in format and substance satisfactory to the Bank, and shall implement the Project in accordance with such Operational Manual and the Project implementation plan;
  - (b) take all necessary measures to ensure that the Project is implemented in accordance with the Environmental Management Plan.

**Section II. Project Monitoring, Reporting, Evaluation**

**A. Project Reports**

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.

2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months after the Project Closing Date.

**B. Financial Management, Financial Reports and Audits**

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods and Works.** All goods and works required for the Project shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

2. **Consultants' Services.** All consultants' services required for the Project shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts



refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Technical Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and technical services required for the Project shall be procured under contracts awarded on the basis of International Competitive Bidding procedures subject to the following additional procedures.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and technical services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>	
(a)	National Competitive Bidding, subject to additional provisions set forth in the attachment to this Schedule 2
(b)	Shopping
(c)	Direct Contracting

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>	
(a)	Least-Cost Selection
(b)	Consultant Qualifications
(c)	Individual Consultant Selection
(d)	Single-Source Selection
(e)	Sole-Source Selection

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank shall specify by notice to the Borrower to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed</b>
Works	24,290,000	70%
<b>TOTAL AMOUNT</b>	<u>24,290,000</u>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

- (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; and
- (b) for payments made prior to the date of this Agreement.

2. The Closing Date is March 30, 2013.

**Attachment to  
SCHEDULE 2**

National Competitive Bidding procedures of the Borrower may be used for procurement of works under the Project provided that the following provisions are complied with:

A. Participation by Government-owned enterprises

Government-owned enterprises on the territory of the Borrower shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

B. Bidding Documents

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods acceptable to the Bank.

C. Bid Opening and Bid Evaluation

- (a) bids shall be opened in public, immediately after the deadline for submission of bids;
- (b) evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents;
- (c) domestic preference should not be applied; and
- (d) contracts shall be awarded to qualified bidder having submitted the lowest evaluated substantially responsive bid and no negotiation shall take place.

D. Price Adjustment

Civil works contracts of long duration (for example, more than eighteen (18) months) shall contain an appropriate price adjustment clause.

E. Cancellation of the Bidding Process

Non-recognition of a tender and soliciting new bids can be done only with the prior concurrence of the Bank.

G. Rejection of an Individual Bid

An individual bid shall be rejected only in the following cases:

- (a) the bidder is not qualified;
- (b) the bidder does not accept the correction of an arithmetical error in his bid by the Tender Commission of the procuring entity; and
- (c) the bidder is not responsive to the requirements of the bidding documents.

**SCHEDULE 3**

**Amortization Schedule**

<u>Principal Payment Date</u>	<u>Principal Amount of the Loan Payable (Expressed in Dollars)</u>
On each February 15 and August 15 beginning August 15, 2012 through August 15, 2023	1,010,000
On February 15, 2024	1,060,000

## APPENDIX

### Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “CWR” means Committee for Water Resources under the Ministry of Agriculture of the Borrower.
4. “Environmental Management Plan” or “EMP” means adopted on September 8, 2005, No. 03-06/4151 by the Borrower, through the East Kazakhstan Oblast Territorial Department for Environment Protection, which sets forth agreed mitigation measures to be implemented and monitored under the Project.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
6. “Operational Manual” means the manual to be prepared by the Borrower pursuant to paragraph 6(a) of Section I of Schedule 2 to this Agreement, describing procedures for implementation of the Project, consistent with the provisions of this Agreement and with the national laws and regulations of the Borrower and including, *inter alia*: (i) procedures governing administrative, procurement, accounting, financial management, and monitoring and evaluation arrangements; and (ii) sample formats for annual reports; as the same may be amended from time to time with the agreement of the Bank.
7. “PMU” means the Project Management Unit within CWR which will have overall responsibility for Project preparation, implementation and coordination.
8. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
9. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated December 7, 2006 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs
10. “Project Supervisory Council” means the council to be established by the Borrower, through the Ministry of Agriculture, and referred to in paragraph 2 of Section I of Schedule 2 to this Agreement.