

CONFORMED COPY

LOAN NUMBER 3990 RU

Loan Agreement

(Bridge Rehabilitation Project)

between

RUSSIAN FEDERATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated May 22, 1996

LOAN NUMBER 3990 RU

LOAN AGREEMENT

AGREEMENT, dated May 22, 1996, between RUSSIAN FEDERATION (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) Parts B and D.2 of the Project will be carried out by the Participating Regions (as such term is defined hereinbelow) and Parts C and D.3 of the Project will be carried out by Moscow City (Moscow City), all with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Participating Regions and Moscow City a part of the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(c) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "FHD" means the Federal Highway Department within MOT and includes any successor or successors thereto;

(b) "Federal PIU" means the Project Implementation Unit referred to in paragraph 2 of Schedule 5 to this Agreement;

(c) "Moscow City" means Moscow City, a subject of the Russian Federation (an administrative subdivision of the Borrower), and includes any successor or successors thereto;

(d) "Moscow City PIU" means the Moscow City Project Implementation Unit referred to in paragraph 12(b) of Schedule 5 to this Agreement;

(e) "Moscow City Subsidiary Loan Agreement" means the agreement entered into between the Borrower and Moscow City pursuant to Section 3.01(d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Moscow City Subsidiary Loan Agreement;

(f) "MOT" means the Ministry of Transport of the Borrower and includes any successor or successors thereto;

(g) "Participating Region" and "Participating Regions" mean, singularly and collectively, the region or regions selected for participation in the Project pursuant to paragraph 5(a) of Schedule 5 to this Agreement;

(h) "Participating Regions Subsidiary Loan Agreement" and "Participating Regions Subsidiary Loan Agreements" mean, singularly and collectively, the agreement or agreements entered into separately between the Borrower and each of the Participating Regions pursuant to Section 3.01(c) of this Agreement, as the same may be amended from time to time, and such terms include all schedules and agreements supplemental to any Participating Regions Subsidiary Loan Agreement or all Participating Regions Subsidiary Loan Agreements respectively;

(i) "Regional PIU" means the Project Implementation Unit referred to in paragraph 11(b) of Schedule 5 to this Agreement; and

(j) "Special Accounts" means the accounts referred to in Section 2.02(b) of this Agreement.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of three hundred fifty million dollars (\$350,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of Parts A and D.1, Parts B and D.2 (separately in respect of each of the Participating Regions), and Parts C and D.3 of the Project, open and maintain in Dollars separate special deposit accounts in a commercial bank or banks acceptable to the Bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each of the respective Special Accounts shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2001 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ( $1/2$  of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time

to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end: (i) shall carry out Parts A and D.1 of the Project through MOT and FHD, and (ii) shall cause each of the Project Regions to carry out Parts B and D.2 of the Project and Moscow City to carry out Parts C and D.3 of the Project with due diligence and efficiency and in conformity with appropriate administrative, engineering and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out Parts A and D.1 of the Project and cause the Participating Regions and Moscow City to carry out Parts B and D.2 and Parts C and D.3, respectively, of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) The Borrower shall relend a portion of the proceeds of the Loan to Participating Regions under separate subsidiary loan agreements to be entered into between the Borrower and each of the Participating Regions, under terms and conditions, compatible with the terms and conditions of this Loan Agreement, which shall have been approved by the Bank including but not limited to the following: (i) the Borrower shall onlend to each of the Participating Regions an amount in various currencies that shall have an aggregate value equivalent to the amount, agreed by the Bank, from a total sum of thirty five million dollars (\$35,000,000) (Subsidiary Loan for purposes of this subsection); (ii) term of the Subsidiary Loan shall be twelve to fifteen years, including a three to five year grace period; (iii) the Borrower shall charge a commitment fee at a rate equal to the rate of commitment charge payable under Section 2.04 of this Agreement; (iv) the Borrower shall charge interest on the principal amount of the Subsidiary Loan withdrawn and outstanding from time to time at a rate of 150-250 basis points above the rate payable under Section 2.05 of this Agreement; (v) the repayment of principal amount of the Subsidiary Loan shall be the equivalent to the value (determined as of the date or respective dates of repayment) of currency or currencies withdrawn from the Loan Account or paid out of the Special Account on account of expenditures for Parts B and D.2 of the Project; and (vi) the terms and conditions specified in paragraph 11 of Schedule 5 to this Agreement.

(d) The Borrower shall relend a portion of the proceeds of the Loan to Moscow City under a subsidiary loan agreement to be entered into

between the Borrower and Moscow City, under terms and conditions, compatible with the terms and conditions of this Loan Agreement, which shall have been approved by the Bank including but not limited to the following: (i) the Borrower shall onlend an amount in various currencies that shall have an aggregate value equivalent to the amount of fifty million dollars (\$50,000,000) (Subsidiary Loan for purposes of this subsection); (ii) term of the Subsidiary Loan shall be twelve to fifteen years, including a three to five year grace period; (iii) the Borrower shall charge a commitment fee at a rate equal to the rate of commitment charge payable under Section 2.04 of this Agreement; (iv) the Borrower shall charge interest on the principal amount of the Subsidiary Loan withdrawn and outstanding from time to time at a rate of 150-250 basis points above the rate payable under Section 2.05 of this Agreement; (v) the repayment of principal amount of the Subsidiary Loan shall be the equivalent to the value (determined as of the date or respective dates of repayment) of currency or currencies withdrawn from the Loan Account or paid out of the Special Account on account of expenditures for Parts C and D.3 of the Project; and (vi) the terms and conditions specified in paragraph 12 of Schedule 5 to this Agreement.

(e) The Borrower shall exercise its rights under the Participating Regions Subsidiary Loan Agreements in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Participating Regions Subsidiary Loan Agreements or any provision thereof.

(f) The Borrower shall exercise its rights under the Moscow City Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Moscow City Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall: (a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the sustainability of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out Parts A and D.1 of the Project.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Participating Regions and Moscow City responsible for carrying out Parts B and D.2 and Parts C and D.3, respectively, of the Project.

(b) The Borrower shall cause each of the Participating Regions and Moscow City to:

- (i) have its records, accounts and financial statements and the records and accounts for their respective Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning such records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall cause each of the Participating Regions and Moscow City to:

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all

records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) Any of the Participating Regions or Moscow City shall have failed to perform any of its obligations under the Participating Regions Subsidiary Loan Agreement or Moscow City Subsidiary Loan Agreement, respectively.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that any of the Participating Regions or Moscow City will be able to perform its obligations under the Participating Regions Subsidiary Loan Agreement or Moscow City Subsidiary Loan Agreement, respectively.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that FHD has opened a Project bank account for the purposes of Parts A and D.1 of the Project with an initial deposit in local currency of the Borrower equivalent to at least five hundred thousand dollars (\$500,000) pursuant to paragraph 10 of Schedule 5 to this Agreement.

Section 6.02. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Ilyinka Street 9  
103097, Moscow

Russian Federation

Telex:

112008

For the Bank:

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

Cable address:

Telex:

INTBAFRAD  
Washington, D.C.

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Moscow, Russian Federation, as of the day and year first above written.

RUSSIAN FEDERATION

By /s/ Vladimir Kadannikov  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ James D. Wolfensohn  
President

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items (goods, works and services) to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works		72%
(a) under Part A.1 of the Project	228,800,000	
(b) under Part B.1 of the Project	25,300,000	
(c) under Part C.1	45,000,000	



of the Project

(2)	Vehicles, Equipment, Materials and Supplies		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
	(a) under Part A.2 of the Project	15,300,000	
	(b) under Part B.2 of the Project	4,300,000	
(3)	Consultants' Services and Training		100%
	(a) under Part D.1 of the Project	20,900,000	
	(b) under Part D.2 of the Project	5,400,000	
	(c) under Part D.3 of the Project	5,000,000	
	TOTAL	350,000,000 =====	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$5,000,000, may be made in respect of Categories 1(a) and 3(a) on account of payments made for expenditures before that date but after April 30, 1995; (b) Categories 1(b), 2(b), and 3(b) in respect of each of the Participating Regions, separately, unless the Bank has received evidence, satisfactory to it, that the concerned Participating Regions Subsidiary Loan Agreement has become effective and that it has been duly authorized and is legally binding upon the parties thereto in accordance with its terms; and (c) Categories 1(c) and 3(c), unless the Bank has received evidence, satisfactory to it, that Moscow City Subsidiary Loan Agreement has become effective and that it has been duly authorized and is legally binding upon the parties thereto in accordance with its terms.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for goods, works, and services under contracts costing less than \$50,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower.

## Description of the Project

The objectives of the Project are to: (i) improve the technical condition of selected high priority bridges on the federal and regional road systems and interchanges with high traffic levels on federal highways; (ii) assist in reform of the institutional structure of road administration and the contracting industry; (iii) strengthen the capabilities of FHD to manage the bridges under its jurisdiction; (iv) reduce a backlog of bridge rehabilitation and maintenance on regional roads for up to five Participating Regions and Moscow City; and (v) improve the administrative, technical and financial relationship of FHD and the regions of the Russian Federation.

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: Federal Bridges

1. Rehabilitation, repair, reconstruction, replacement and widening of about 200-300 selected federal road bridges and the improvement of 2-3 interchanges on the federal highways, including grade separation.
2. Provision of equipment, materials and supplies required for the management of bridges.

### Part B: Bridges under Participating Regions

1. Rehabilitation, repair, reconstruction, replacement and widening of about 20 selected local bridges in each of the Participating Regions.
2. Provision of vehicles, equipment, materials and supplies required for the maintenance of bridges.

### Part C: Bridges under Moscow City

1. Rehabilitation, repair, reconstruction, replacement and widening of about 20 selected bridges in Moscow City.

### Part D: Technical Assistance

1. Provision of technical assistance to the Borrower for strengthening of the federal road and bridge management administration and system including: (a) provision of project implementation (including selection of federal bridges and procurement) and supervision support to the Federal PIU and FHD; (b) designing of federal bridge works and supervision of such works; (c) improvement of the FHD bridge management system and extending it to regional road administrations; (d) training of federal road and bridge staff in bridge maintenance and bridge management system; and (e) improvement of the administrative, technical and financial relationship of FHD and the regions of the Russian Federation.
2. Provision of technical assistance to the Participating Regions for strengthening of the regional road and bridge management administration and system, including: (a) provision of project implementation (including selection of regional bridges and procurement) and supervision support to the Regional PIUs and the concerned regional road administrations; (b) designing of regional bridge works and supervision of such works; and (c) training of regional road and bridge staff in bridge maintenance and bridge management system.
3. Provision of technical assistance to the Department of Engineering of Moscow City for the implementation of the Project, including: (a) provision of project implementation (including selection of Moscow City bridges and procurement) and supervision support to the Moscow City PIU; (b) designing of Moscow City bridge works and supervision of such works; and (c) training of Moscow City road and bridge staff in bridge maintenance and bridge management system.

\* \* \*

The Project is expected to be completed by June 30, 2001.

SCHEDULE 3  
Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each March 15 and September 15	
beginning September 15, 2001 through September 15, 2012	14,585,000
and on March 15, 2013	14,545,000

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\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65

More than 11 years but not  
more than 15 years  
before maturity 0.88

More than 15 years before  
maturity 1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

##### Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

##### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

##### (a) Prequalification

Bidders for civil works shall be prequalified in accordance with the provisions of paragraph 2.09 and 2.10 of the Guidelines.

##### (b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

##### (c) Dispute Review Board

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

##### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

(a) Works under Part A.1 of the Project, estimated to cost \$3,000,000 equivalent or less per contract and \$10,000,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works for each of the Participating Regions under Part B.1 of the Project, estimated to cost \$1,000,000 equivalent or less per contract and \$1,000,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(c) Works under Part C.1 of the Project, estimated to cost \$1,000,000 equivalent or less per contract and \$1,000,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

##### 2. International Shopping

(a) Except as provided in paragraphs 3(a) and 4 hereof, goods

under Part A.2 of the Project, estimated to cost \$300,000 equivalent or less per contract and \$400,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Except as provided in paragraphs 3(b) and 4 hereof, goods for each of the Participating Regions under Part B.2 of the Project, estimated to cost \$300,000 equivalent or less per contract and \$400,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

### 3. National Shopping

(a) Except as provided in paragraph 4 hereof, goods under Part A.2 of the Project, estimated to cost \$50,000 equivalent or less per contract and \$200,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Except as provided in paragraph 4 hereof, goods for each of the Participating Regions under Part B.2 of the Project, estimated to cost \$50,000 equivalent or less per contract and \$100,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

### 4. Direct Contracting

Goods under Part A.2 and B.2 of the Project which are of a proprietary nature and costing \$100,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

## Part D: Review by the Bank of Procurement Decisions

### 1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

### 2. Prior Review

With respect to: (a) each contract for goods and works under Part A hereof; (b) the first contract for works under Part C.1 hereof; and (c) each contract for goods under Part C.4 hereof, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

## Section II. Employment of Consultants

1. Consultants' services for Part D of the Project shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank

shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$75,000 equivalent each; or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$75,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

#### SCHEDULE 5

##### Implementation Program

1. FHD shall, under the general supervision and guidance of MOT, be responsible for the overall coordination of Project activities and providing information relating thereto to the Bank.

2. The Borrower shall maintain and strengthen the Project Implementation Unit (Dorinvest), established under the Highway Rehabilitation and Maintenance Project (Loan No. 3706 RU), in the FHD for the purpose of implementing Parts A and D.1 of the Project.

3. The Borrower shall carry out an Action Plan, comprising the following measures, agreed with the Bank, in a manner satisfactory to the Bank:

(a) clearing the backlog of bridge rehabilitation and maintenance on federal roads;

(b) implementing a program to improve the bridge management system in FHD;

(c) improving the administrative, technical, and financial relationship of FHD and the regions of the Russian Federation;

(d) strengthening the capabilities of FHD to assess environmental impacts of bridge works; and

(e) improvement of bridge management in the Participating Regions.

4. The Borrower shall carry out Parts A and D.1 of the Project in accordance with a Project Implementation Schedule agreed with the Bank.

5. (a) The Borrower shall, in consultation with the Bank and in accordance with selection criteria and schedule acceptable to the Bank, select the region or regions for participation in the Project from the following five subjects of the Russian Federation (administrative subdivisions of the Borrower): Tver Region, Vologda Region, Leningrad Region, Kirov Region, and Novgorod Region including any successor or successors thereto.

(b) The Borrower shall select bridges and interchanges to be included in Part A of the Project in accordance with the methodology and criteria agreed with the Bank.

6. Without limiting the generality of its obligation under Section II of Schedule 4 hereof, the Borrower shall, by November 30, 1996, engage consultants, under terms of reference satisfactory to the Bank, for engineering design of bridge works selected under Part A of the Project and included in the Borrower's 1997-99 bridge works schedule.

7. The Borrower shall, by December 31, 1996, discuss with the Bank the recommendations of the road financing study carried out under the Highway Rehabilitation and Maintenance Project (Loan No. 3706 RU), and, thereafter, take measures for improving the road financing system for federal and

regional roads.

8. The Borrower shall, within one month after the end of each calendar quarter, furnish to the Bank a quarterly progress report of the implementation of Parts A and D.1 of the Project for the previous quarter in form and detail satisfactory to the Bank.

9. The Borrower shall, by December 31, 1998, carry out a mid-term review, in consultation with the Bank, for evaluating the overall progress in the implementation of Parts A and D.1 of the Project and adopting such measures as may be necessary to resolve any issues in respect thereof.

10. The Borrower shall: (a) cause FHD to open a Project bank account for the purposes of Parts A and D.1 of the Project with an initial deposit in local currency of the Borrower equivalent to at least five hundred thousand dollars (\$500,000); and (b) within twelve months of the effectiveness of this Agreement increase and, until completion of the Project, maintain the said account with a minimum balance, through quarterly replenishments, equivalent to one million dollars (\$1,000,000) or such other amount as may be agreed by the Bank from time to time.

11. The Borrower shall under the Participating Regions Subsidiary Loan Agreements cause each of the Participating Regions, inter alia, to:

(a) declare its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, to carry out Parts B and D.2 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and engineering practices, and to provide, promptly as needed, the funds, facilities, services and other resources required for Parts B and D.2 of the Project;

(b) within one month of the date of effectiveness of the relevant Participating Regions Subsidiary Loan Agreement, establish and maintain a Project Implementation Unit in its respective road administration, with adequate staff, funding and facilities for the purpose of implementing Parts B and D.2 of the Project. Without limiting the generality of the foregoing, each of the Participating Regions shall assign to its respective Regional PIU on a full-time basis at least the following: (i) a Project manager, (ii) a bridge engineer, and (iii) a bilingual secretary;

(c) carry out Parts B and D.2 of the Project in accordance with a Project Implementation Schedule agreed with the Borrower and the Bank;

(d) select bridges to be included in Part B of the Project in accordance with the methodology and criteria agreed with the Borrower and the Bank;

(e) without limiting the generality of its respective obligation under Section II of Schedule 1 hereof, engage consultants, under terms of reference satisfactory to the Borrower and the Bank: (i) within two months of the date of effectiveness of the relevant Participating Regions Subsidiary Loan Agreement, for strengthening the capacity of its respective Regional PIU; and (ii) within four months of the date of effectiveness of the relevant Participating Regions Subsidiary Loan Agreement, for engineering design of bridge works selected under Part B of the Project and included in its respective bridge works schedule;

(f) within one month after the end of each calendar quarter, furnish to the Borrower and the Bank a quarterly progress report of the implementation of Parts B and D.2 of the Project for the previous quarter in form and detail satisfactory to the Borrower and the Bank;

(g) after one year of the date of effectiveness of the relevant Participating Regions Subsidiary Loan Agreement, carry out a review, in consultation with the Borrower and the Bank, for evaluating the overall progress in the implementation of Parts B and D.2 of the Project and adopting such measures as may be necessary to resolve any issues in respect thereof;

(h) within one month of the date of effectiveness of the relevant

Participating Regions Subsidiary Loan Agreement, open a Project bank account for the purposes of Parts B and D.2 of the Project with an initial deposit in local currency of the Borrower equivalent to at least three hundred thousand dollars (\$300,000) and, until completion of the Project, maintain the said account with a minimum balance, through quarterly replenishments, equivalent to the said amount or such other amount as may be agreed by the Borrower and the Bank from time to time;

(i) duly perform all its obligations under its Participating Regions Subsidiary Loan Agreement and except as the Borrower and the Bank may otherwise agree, not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving its Participating Regions Subsidiary Loan Agreement or any provision thereof;

(j) exchange views with the Borrower and the Bank with regard to the progress of Parts B and D.2 of the Project, the performance of its obligations under the relevant Participating Regions Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan; and

(k) promptly inform the Borrower and the Bank of any condition which interferes or threatens to interfere with the progress of Parts B and D.2 of the Project, the accomplishment of the purposes of the Loan, or the performance by it of its obligations under its Participating Regions Subsidiary Loan Agreement.

12. The Borrower shall under the Moscow City Subsidiary Loan Agreement cause Moscow City, inter alia, to:

(a) declare its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, to carry out Parts C and D.3 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and engineering practices, and to provide, promptly as needed, the funds, facilities, services and other resources required for Parts C and D.3 of the Project;

(b) within one month of the date of effectiveness of the Moscow City Subsidiary Loan Agreement, establish and maintain a Project Implementation Unit in its Engineering Department, with adequate staff, funding and facilities for the purpose of implementing Parts C and D.3 of the Project. Without limiting the generality of the foregoing, Moscow City shall assign to its PIU on a full-time basis at least the following: (i) a Project manager; (ii) a bridge engineer; and (iii) a bilingual secretary;

(c) carry out Parts C and D.3 of the Project in accordance with a Project Implementation Schedule agreed with the Borrower and the Bank;

(d) select bridges to be included in Part C of the Project in accordance with the methodology and criteria agreed with the Borrower and the Bank;

(e) without limiting the generality of its obligations under Section II of Schedule 1 hereof, engage consultants, under terms of reference satisfactory to the Borrower and the Bank: (i) within two months of the date of effectiveness of the Moscow City Subsidiary Loan Agreement, for strengthening the capacity of the Moscow City PIU; and (ii) within four months of the date of effectiveness of the Moscow City Subsidiary Loan Agreement, for engineering design of bridge works selected under Part C of the Project and included in Moscow City's bridge works schedule;

(f) within one month after the end of each calendar quarter, furnish to the Borrower and the Bank a quarterly progress report of the implementation of Parts C and D.3 of the Project for the previous quarter in form and detail satisfactory to the Borrower and the Bank;

(g) after one year of the date of effectiveness of the Moscow City Subsidiary Loan Agreement, carry out a review, in consultation with the Borrower and the Bank, for evaluating the overall progress in the implementation of Parts C and D.3 of the Project and adopting such measures as may be necessary to resolve any issues in respect thereof;



(h) within one month of the date of effectiveness of the Moscow City Subsidiary Loan Agreement, open a Project bank account for the purposes of Parts C and D.3 of the Project with an initial deposit in local currency of the Borrower equivalent to at least five hundred thousand dollars (\$500,000) and, until completion of the Project, maintain the said account with a minimum balance, through quarterly replenishments, equivalent to the said amount or such other amount as may be agreed by the Borrower and the Bank from time to time;

(i) duly perform all its obligations under the Moscow City Subsidiary Loan Agreement and except as the Borrower and the Bank may otherwise agree, not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Moscow City Subsidiary Loan Agreement or any provision thereof;

(j) exchange views with the Borrower and the Bank with regard to the progress of Parts C and D.3 of the Project, the performance of its obligations under the Moscow City Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan; and

(k) promptly inform the Borrower and the Bank of any condition which interferes or threatens to interfere with the progress of Parts C and D.3 of the Project, the accomplishment of the purposes of the Loan, or the performance by Moscow City of its obligations under the Moscow City Subsidiary Loan Agreement.

#### SCHEDULE 6

##### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Category" means: (i) Categories 1(a), 2(a), and 3(a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Parts A and D.1 of the Project; (ii) Categories 1(b), 2(b) and 3(b) set forth in said table in respect of Parts B and D.2 of the Project; and (iii) Categories 1(c) and 3(c) set forth in the said table in respect of Parts C and D.3 of the Project;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$5,000,000 in respect of the Special Account for Parts A and D.1 of the Project (Special Account A), an amount equivalent to \$1,000,000 in respect of each of the Special Accounts for the respective Participating Regions for Parts B and D.2 of the Project (Special Accounts B, C, D, E, and F respectively), and an amount equivalent to \$2,000,000 in respect of the Special Account for Parts C and D.3, of the Project (Special Account G), to be withdrawn from the Loan Account and deposited into the respective Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 in respect of Special Account A, an amount equivalent to \$300,000 each in respect of Special Accounts B, C, D, E, and F, and an amount equivalent to \$500,000 in respect of Special Account G, until: (i) in respect of Special Account A, the aggregate amount of withdrawals from the Loan Account allocated to Categories 1(a), 2(a), and 3(a) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts A and D.1 of the Project shall be equal to or exceed the equivalent of \$5,000,000; (ii) in respect of each of the Special Accounts B, C, D, E, and F, the aggregate amount of withdrawals from the Loan Account allocated to Categories 1(b), 2(b), and 3(b) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts B and D.2 of the Project for each of the Participating Regions respectively shall be equal to or exceed the equivalent of \$1,000,000; and (iii) in respect of Special Account G, the aggregate amount of withdrawals from the

Loan Account allocated to Categories 1(c) and 3(c) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts C and D.3 of the Project shall be equal to or exceed the equivalent of \$2,000,000.

2. Payments out of the respective Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Bank requests for deposits into the respective Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into any Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for the respective Special Account, minus the total amount of all outstanding special commitments entered into by the Bank

pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of any Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the respective Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into any Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in any Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Accounts.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

