

CONFORMED COPY

LOAN NUMBER 4479 UZ

Loan Agreement

(Financial Institution Building Project)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated June 23, 1999

LOAN NUMBER 4479 UZ

LOAN AGREEMENT

AGREEMENT, dated June 23, 1999, between the REPUBLIC OF UZBEKISTAN (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; 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 for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997) (the General Conditions) constitute an integral part of this 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) "CBU" means the Central Bank of Uzbekistan, an agency of the Borrower, and includes any successor or successors thereto and permitted assigns.

(b) "COM" means the Borrower's Cabinet of Ministers and includes any successor or successors thereto.

(c) "MOF" means the Borrower's Ministry of Finance and includes any successor or successors thereto.

(d) "PA" and "PAs" mean singularly the Participation Arrangement and collectively the Participation Arrangements, between the PIU, on behalf of the CBU, and each Participating Bank, pursuant to paragraph 5 of Schedule 5 to this Agreement, as such arrangements may be modified from time to time with the prior written consent of the Bank.

(e) "Participating Banks" means UzPromstroybank, UzZhilsberbank, Asaka Bank, Andijan Bank, Ipak Yuli Bank, and any other banks selected by the Borrower for participation under Part A of the Project in agreement with the Bank.

(f) "PISLA" means the Project Implementation and Subsidiary Loan Agreement between the Borrower and the CBU, pursuant to paragraph 4 of Schedule 5 to this Agreement, as such agreement may be modified from time to time with the prior written consent of the Bank.

(g) "PIU" means the Project Implementation Unit referred to in paragraph 3 of Schedule 5 to this Agreement.

(h) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement.

(i) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to the letter agreement dated October 9, 1996.

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

(k) "Supervisory Board" means the Supervisory Board referred to in paragraph 2 of Schedule 5 to 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, an amount equal to twenty-five million Dollars (\$25,000,000).

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 and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may, for the purposes of Parts A, B, C, D and F of the Project and Part E of Project open and maintain in Dollars separate special deposit accounts in a bank or banks, acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of each Special Account shall be made in accordance with the provisions of Schedules 6A and 6B respectively to this Agreement.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the

Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be June 30, 2004 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 fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof. Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

Section 2.08. 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, and, to this end, shall: (i) carry out Part E of the Project, through MOF, with due diligence and efficiency and in conformity with appropriate administrative, banking and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project; and (ii) without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause the CBU to carry out Parts A, B, C, D and F of the Project and to perform in accordance with the provisions of the PISLA all the obligations of the CBU therein set forth, shall take or cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the CBU to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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 the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods 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 a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts 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 (6) months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 and accounts, and the audit thereof, and concerning said auditors, as the Bank may 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 Project Management Reports or statements of expenditure, the Borrower shall:

(a) of this (i) maintain or cause to be maintained, in accordance with paragraph Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one (1) 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 report of such audit as to whether the Project 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. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than December 31, 2000 or such later date as the Bank shall agree, to prepare semi-annual Project management reports, acceptable to the Bank, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each six (6) calendar months a Project Management Report for such period.

## ARTICLE V

### Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) The PISLA, duly executed by the parties thereto, has been submitted to the Bank.

(b) PAs, duly entered into between the PIU, on behalf of the CBU, and at least two Participating Banks (UzPromstroybank and Asaka Bank) have been submitted to

the Bank.

(c) An opinion, from an independent auditor acceptable to the Bank, stating that the financial management plan of the PIU conforms with the Bank guidelines has been furnished to the Bank.

(d) The Supervisory Board and the PIU have been established in accordance with the provisions of paragraphs 2 and 3 of Schedule 5 to this Agreement.

Section 5.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the PISLA has been duly authorized or ratified by the parties thereto, and is legally binding upon them in accordance with its terms.

Section 5.03. 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 VI

##### Representative of the Borrower; Addresses

Section 6.01. The Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
Mustakillik Square 5  
Tashkent 700078  
Republic of Uzbekistan

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

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

REPUBLIC OF UZBEKISTAN

By /s/ S. Safayev

Authorized Representative

INTERNATIONAL BANK FOR

RECONSTRUCTION AND DEVELOPMENT

By /s/ Ishrat Husain Regional

Vice President  
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items 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 Dollars)	% of Expenditures to be Financed
(1) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(a) under Parts A, B C, D and F of the Project	6,611,000	
(b) under Part E of the Project	200,000	
(2) Consultants' services and training		100%
(a) under Parts A, B C, D and F of the Project	10,432,000	
(b) under Part E of the Project	4,068,000	
(3) Incremental operating costs		100% until 6/30/01; 80% until 6/30/02; 60% until 6/30/03 and 40% thereafter
(a) under Parts A, B C, D and F of the Project	493,000	
(b) under Part E of the Project	300,000	
(4) Refunding of Project Preparation Advance	1,200,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(5) Fee	250,000	Amount due under Section 2.04 of this Agreement
(6) Unallocated	1,446,000	
TOTAL	25,000,000 =====	

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;

(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; and

(c) the term "incremental operating costs" means incremental costs incurred by the PIU for the management, administration, implementation, monitoring and evaluation of the Project, including costs of salaries of local personnel (but excluding salaries of officials of the Borrower), office rental and furniture, utility services, audit, and operation and maintenance of computers, other office equipment and vehicles, based upon an annual budget acceptable to the Bank.

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 exceeding \$500,000 may be made in respect of Categories 1 and 2 set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after January 1, 1999; and (b) Categories 1 and 2 for expenditures incurred by a Participating Bank, unless a PA, satisfactory to the Bank, has been entered into between the PIU, on behalf of the CBU, and the said Participating Bank.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing \$200,000 equivalent or less each; (b) services under contracts costing \$100,000 equivalent or less each in case of firms and under contracts costing \$50,000 equivalent or less each in case of individuals; (c) training under contracts costing \$10,000 equivalent or less each; and (d) incremental operating costs, under such terms and conditions as the Bank shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (i) reduce systemic risks in the financial sector; (ii) increase independence of the banking sector from state ownership and control; (iii) promote competition and reduce market concentration; and (iv) improve the legal/regulatory framework for banking and development of a supervisory capacity in the Central Bank of Uzbekistan.

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: INSTITUTIONAL STRENGTHENING OF PARTICIPATING BANKS

Institutional strengthening of Participating Banks through the implementation of programs aimed at improving bank management and operations strategy and planning (including strategic planning process and variance analysis; bank organizational structure, including strategy for management of branches), treasury risk management (including liquidity risk management; asset-liability management, interest rate risk management, foreign exchange risk management, especially derivatives such as forwards and swaps, and budgeting) and financial and credit risk management (including written credit policies and procedures; loan analysis methodology and approval procedures; loan structuring and documentation; loan booking and billing procedures; data base management and reporting; loan review; loan monitoring; problem loan identification and management; management of the loan portfolio; identification, analysis and management of non-loan forms of credit risk, such as counter-party risk for treasury transactions; and securities evaluation and investment policy), accounting and internal audits (including compliance with the CBU internal audit and International Accounting Standards (IAS) of the International Accounting Standards Committee), and management information systems (MIS) (including capacity of accounting and MIS to provide timely, accurate, and

complete information; internal accounting organization, reporting structure, policies and procedures; internal auditing organization, reporting structure, policies and procedures).

PART B: INSTITUTIONAL STRENGTHENING OF COMMERCIAL BANKS

1. Provision of training to commercial banks to improve their operational capabilities in various areas, including risk management, formulation of lending policies, automated credit analysis, internal auditing, and bank accounting under IAS.

2. Provision of external audit services for selected commercial banks in conformity with IAS.

PART C: IMPROVEMENT OF BANKING LEGAL FRAMEWORK

Strengthening of the legal, regulatory and supervisory capacity of the CBU through the implementation of recommendations made under the Final Report, dated July 31, 1998, prepared for the CBU under the Uzbekistan Financial Restructuring Project (financed by the Project Preparation Advance) and other priority areas for reform, including the implementation of prudential regulation norms, assessment of bank credit policies, foreign exchange trading, risk control and management, support for the implementation of legal reforms, and provision of training of the CBU staff and training and advisory services to commercial banks.

PART D: STRENGTHENING OF FINANCIAL SECTOR INFORMATION SYSTEM

1. Developing or upgrading a core MIS model for commercial banks to strengthen management of liquidity and risk within commercial banks and provision of assistance to make necessary changes in bank operations through: (i) consolidation of statements produced at commercial banks' branches, regional offices, and head office departments; (ii) development of a database and software tools to produce summary reports and analysis for senior management and the CBU supervisors.

2. Upgrading the payment system to increase efficiency and capacity through intra-bank clearing and settlement on a net basis at the bank level, centralization of the settlement process, and the introduction of the real time gross settlement system (RTGS).

3. Improvement of telecommunication network to ensure the effectiveness of the MIS and payment systems through the development of a new high capacity and modern digital system (integration of data, voice, image) connecting Tashkent with regional centers.

4. Development of a protective system for the protection of banking and bank related information as a corollary to the development or upgrading of a core MIS model, upgrading of the payment system, and the improvement of the telecommunication network as indicated above, and provision of this system to commercial banks and other users.

PART E: BANK PRIVATIZATION AND RESTRUCTURING

1. Restructuring of the banking sector through the provision of technical assistance for privatization of banks and restructuring of non-performing assets of commercial banks, including legal advisory services to ensure an adequate framework for debt restructuring and privatization.

2. Provision of assistance for the preparation of an adjustment operation related to the financial sector.

PART F: INSTITUTIONAL STRENGTHENING OF THE PIU

Institutional strengthening of the PIU through the provision, inter alia, of services for the management, administration, implementation, monitoring and evaluation of the Project, including salaries of local personnel (but excluding salaries of officials of the Borrower), office rental and furniture, utility services, audit, procurement, financial management, office supplies, computers, other office equipment and vehicles, and their operation and maintenance.

\* \* \*

The Project is expected to be completed by December 31, 2003.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
February 15, 2005	565,000.000
February 15, 2006	595,000.000
February 15, 2007	630,000.000
February 15, 2008	660,000.000
February 15, 2009	700,000.000
February 15, 2010	740,000.000
February 15, 2011	780,000.000
February 15, 2012	820,000.000
February 15, 2013	870,000.000
February 15, 2014	915,000.000
February 15, 2015	965,000.000
February 15, 2016	1,020,000.000
February 15, 2017	1,075,000.000
February 15, 2018	1,135,000.000
February 15, 2019	1,195,000.000

SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods 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 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods (information systems and telecommunications network) 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 to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part 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.

Part C: Other Procurement Procedures

1. International Shopping

Except as provided in paragraph 2 hereof, goods (office equipment, computers and vehicles) estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1,400,000 equivalent, 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.

2. National Shopping

Goods (office equipment, computers and vehicles and supplies) estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent, 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.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations 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

(a) With respect to each contract under Part B.1 hereof, estimated to cost the equivalent of \$200,000 or more, 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

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Least Cost Selection

Consultant's Services for audit under Part F of the Project estimated to cost equivalent \$50,000 per contract or less, may be procured under awards in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under awards to individual consultants in accordance with the provisions of paragraph 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms, estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000 the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 5

Implementation Program

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about July 31, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by October 31, 2002, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

2. The Borrower shall establish and maintain a Supervisory Board, comprising representatives of the COM, MOF, and CBU to supervise and coordinate the implementation of the Project.

3. The Borrower shall establish and maintain a Project Implementation Unit to assist MOF and the CBU to carry out their respective parts of the Project, and shall entrust such functions and powers, and provide such funds, facilities and resources thereto, including qualified and experienced staff in adequate numbers, as may be deemed necessary by the Bank.

4. (a) To enable the CBU to carry out Parts A, B, C, D and F of the Project, the Borrower shall make a part of the proceeds of the Loan available to the CBU under a Project Implementation and Subsidiary Loan Agreement entered or to be entered into

between the Borrower and the CBU, under terms and conditions which shall have been approved by the Bank.

(b) The Borrower shall exercise its rights under the PISLA 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 PISLA or any provision thereof.

5. (a) The Borrower shall cause the CBU to enter into participation arrangements, through the PIU, with each of the Participating Banks for providing technical assistance to them on a cost recovery basis on terms and conditions, satisfactory to the Bank, including the following: (i) each Participating Bank shall pay the cost of said services within 20 years, including 5 years grace period for payment; (ii) the payment of the cost will be in the Borrower's local currency and at the CBU's refinancing rate at time of payment; and (iii) each Participating Bank shall adopt written lending policies which shall, inter alia, include a requirement for the concerned Participating Bank to extend credit on a commercial basis in accordance with criteria acceptable to the Bank.

(b) The Borrower shall cause the CBU/PIU to exercise its rights under the PAs in such manner as to protect the interests of the Bank and to accomplish the purposes of the Loan, and shall ensure that, except as the Borrower and the Bank may otherwise agree, the CBU/PIU do not assign, amend, abrogate or waive any of the PAs or any provision thereof.

6. The Borrower shall cause the CBU/PIU to select commercial banks, in consultation with the Bank, for the provision of services under Part B.2 of the Project and enter into service arrangements with each of the selected banks on terms and conditions satisfactory to the Bank.

7. The Borrower shall take all necessary measures to ensure that privatization and restructuring of Participating Banks are carried out effectively and shall ensure that the Participating Banks extend credit only on a commercial basis in a manner satisfactory to the Bank.

8. The Borrower shall ensure that COM Resolution No. 24 of January 15, 1999 on "Measures for Further Reforming of the Banking System" remains in full force and effect until completion of the Project and shall not impose any restrictions on the freedom of enterprises in using multiple bank accounts.

9. The Borrower shall require commercial banks to publish financial information annually and shall ensure strict enforcement of this requirement in a manner satisfactory to the Bank.

#### SCHEDULE 6A

##### Special Account for Parts A, B, C, D and F of the Project

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 (a), 2 (a) and 3 (a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(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 \$700,000 to be withdrawn from the Loan Account and deposited into the 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 \$350,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$3,000,000.

2. Payments out of the 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 Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the 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 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 Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the 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 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 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 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 the 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 Account;

(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, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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 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 the 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 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 the 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 the 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 Account.

(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.

#### SCHEDULE 6B

##### Special Account for Part E of the Project

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 (b), 2 (b) and 3 (b) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(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 \$250,000 to be withdrawn from the Loan Account and deposited into the 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 \$125,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$1,200,000.

2. Payments out of the 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 Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the 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 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 Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the 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 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 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 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 the 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 Account;

(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, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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 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 the 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 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 the 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 the 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 Account.

(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.

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