

CONFORMED COPY

LOAN NUMBER 3824 RU

Project Agreement

(Management and Financial Training Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

NATIONAL TRAINING FOUNDATION

Dated April 25, 1995

LOAN NUMBER 3824 RU

PROJECT AGREEMENT

AGREEMENT, dated April 25, 1995, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and NATIONAL TRAINING FOUNDATION (NTF).

WHEREAS (A) by the Loan Agreement of even date herewith between the Russian Federation (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to forty million dollars (\$40,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that NTF agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and NTF, the proceeds of the loan provided for under the Loan Agreement will be made available to NTF on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS NTF, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) NTF declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and training practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and NTF shall otherwise agree, NTF shall implement the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. 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 the Loan Agreement.

Section 2.03. NTF shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.04. NTF shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, NTF shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) NTF shall, at the request of the Bank, exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) NTF shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by NTF of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Management and Operations of National Training Foundation

Section 3.01. NTF shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and training practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. NTF shall take all such actions as may be required to maintain an organizational structure, functions and responsibilities satisfactory to the Bank and shall be staffed, at all times, with personnel whose qualifications and experience shall meet the requirements specified in the Operational Manual, and such personnel shall be appointed in accordance with procedures set forth in the Operational Manual, including the Executive Director and all his deputies, in respect of whom, concurrence of the Bank shall be required before any appointment to such position is made.

Section 3.03. NTF shall maintain its internal rules and regulations, and any changes thereto shall be agreed with the Bank.

Section 3.04. NTF shall at all times operate and maintain its property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof.

Section 3.05. NTF shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) NTF shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) NTF shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 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 said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

Section 4.02. Not later than December 1 of each year during execution of the Project, NTF shall submit its annual budget and work program for the next calendar year for the Bank's review and approval.

Section 4.03. Prior to entering into contractual arrangements referred to in para. 1 and para. 2 of Schedule 1 to this Agreement, NTF shall prepare and cause the Regional Foundations to prepare and submit to the Bank for its approval the financial terms of grant and loans to be provided for Sub-projects; and NTF shall ensure that any changes or modifications of such financial terms shall have been agreed with the Bank.

ARTICLE V

Effective Date; Termination;
Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of NTF thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify NTF thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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

For NTF:

National Training Foundation
1 Birzhevaja Pl.
103 706 Moscow
Russian Federation

Telex:

112008

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of NTF, or by NTF on behalf of the Borrower under the Loan Agreement, may be taken or executed by Executive Director or such other person or persons as the Executive Director shall designate in writing.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Wilfried Thalwitz
Regional Vice President
Europe and the Central Asia

NATIONAL TRAINING FOUNDATION

By /s/ Yuli Vorontsov
Authorized Representative

SCHEDULE 1

Implementation Program

1. For the purpose of financing Sub-Projects under Parts A (1), (3), (4), (5); B (1), (4), (5), (6); and C of the Project and Parts A (2); B (2), (3); and D of the Project during the first year of the Project, NTF shall make available to each of the Eligible Entities the corresponding portions of the proceeds of the Loan, under contractual arrangements satisfactory to the Bank which shall include, without limitation, the terms and conditions set forth in Schedule 2 to this Agreement.

2. For the purpose of carrying out Parts A (2); B (2), (3); and D of the Project, NTF shall make available to each of the Regional Foundations, which has been properly accredited by NTF in accordance with the criteria and procedures established in the Operational Manual, the corresponding portion of the Loan, under Subsidiary Financing Agreements to be entered into between NTF and each of the Regional Foundations, under terms and conditions satisfactory to the Bank, and whereby NTF shall obtain rights adequate to protect the interests of the Bank and NTF, including the right to:

(a) require the Regional Foundation to enter into contractual arrangements with Eligible Entities carrying out Sub-projects, and such contractual arrangements shall include, without limitations, the terms and conditions set forth in Schedule 2 to this Agreement and shall be reviewed and accepted by NTF and the Bank;

(b) require the Regional Foundation to adopt and maintain staffing policies acceptable to the Bank and NTF and employ adequate personnel with experience and qualifications acceptable to the Bank;

(c) cause the Regional Foundation to submit, not later than December 1 of each year, its annual budget and work program for the next calendar year for review and approval by the Bank and NTF;

(d) require the Regional Foundations to have their records, accounts and financial statements for each fiscal year audited by independent auditors and furnish to the NTF and to the Bank as soon as available, but in any case not later than

six months after the end of each such year, certified copies of their financial statements and audit reports;

(e) obtain all such information as the Bank or NTF shall reasonably request relating to selection and implementation of Sub-projects;

(f) require the Regional Foundation to seek the Bank's concurrence with respect to appointment of Director General; and

(g) suspend or terminate the right of the Regional Foundation to use the proceeds of the NTF financing upon failure to comply with their respective obligations under the Subsidiary Financing Agreement.

3. NTF shall undertake that Sub-projects, to be carried out either by NTF itself or by any of the Regional Foundations, shall be identified, appraised, approved, implemented and evaluated in accordance with the procedures set forth or referred to in the Operational Manual.

4. Prior to approval of any Sub-project estimated to cost more than \$250,000, NTF shall furnish to the Bank a summary, project costs and other information about such Sub-project as may be reasonably requested by the Bank for the Bank's review and approval.

SCHEDULE 2

Terms and Conditions of Sub-projects

1. Contractual arrangements with Eligible Entities referred to in Paragraph 1 and 2 of Schedule 1 to this Agreement shall require the Eligible Entities to, inter alia:

(a) carry out and operate the Sub-projects with due diligence and efficiency and in accordance with sound technical, economic, financial, training and managerial standards;

(b) maintain separate adequate accounting and financial records, including separate bank sub-accounts related to the Sub-projects and for expenditures thereunder;

(c) procure the goods and services to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to the Loan Agreement and use such goods and services exclusively in the carrying out of the Sub-projects;

(d) allow NTF, by itself or jointly with the Bank, if the Bank so requests, to inspect such goods and the sites included in the Sub-projects, and any relevant records and documents;

(e) contribute not less than 15 per cent of the estimated total costs of implementing the Sub-projects; and

(f) pay the user's fee to NTF or a Regional Foundation in the amount equivalent to 15 per cent of the estimated total costs of the Sub-project.

