

CONFORMED COPY

CREDIT NUMBER 2615 MOG

Development Credit Agreement
(Transport Rehabilitation Project)

between

MONGOLIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 13, 1994

CREDIT NUMBER 2615 MOG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 13, 1994, between MONGOLIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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 Association to assist in the financing of the Project;

(B) Part A and Part C.1 of the Project will be carried out by Mongolian Railways (MR as defined herein) and Eligible Beneficiaries (as defined herein) respectively with the Borrower's assistance and, as part of such assistance, the Borrower will make available to MR directly and Eligible Beneficiaries, through Mongol Bank (MB as defined herein) and Participating Commercial Banks (PCBs as defined herein), a portion of the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the

foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreements of even date herewith between the Association and MR and the Association and MB respectively;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "Action Plans" means the action plans under Parts A.4 (railways action plan jointly with MR), B.2 (urban transport action plan), C.2 (road freight action plan), D.2 (roads action plan), and E.1 (sector policy action plan) to be prepared in accordance with the Paragraph 6 of Schedule 4 to this Agreement.
- (b) "Eligible Beneficiaries" means collectively the transport entities selected pursuant to paragraph 2 of Part A of the Schedule to the MB Project Agreement (as said term is defined herein).
- (c) "Implementing Agencies" means the Borrower's departments and agencies, and other legal entities, entrusted by the Borrower with the implementation of the Project or any part thereof, namely, MID, MTI, UM, MR, MB, PCBs and Eligible Beneficiaries (as said terms are defined herein).
- (d) "MB" means the Mongol Bank, a legal entity established and operating pursuant to its Charter dated May 8, 1993 under the laws and regulations of the Borrower, or any successor thereto.
- (e) "MID" means the Borrower's Ministry of Infrastructure Development or any successor thereto.
- (f) "MOF" means the Borrower's Ministry of Finance or any successor thereto.
- (g) "Motor Carrier No. 1" means the Motor Carrier No. 1, a business entity established and operating pursuant to its Charter dated August 1992 under the laws and regulations of Mongolia.
- (h) "MTI" means the Borrower's Ministry of Trade and Industry or any successor thereto.
- (i) "MR" means the Mongolian Railways, a legal entity established and operating pursuant to its Charter dated June 6, 1949 under the laws and regulations of the Borrower, or any successor thereto.
- (j) "PCBs" means the participating commercial banks selected pursuant to paragraph 1 of Part A of the Schedule to the MB Project Agreement (as said term is defined herein).
- (k) "Project Agreements" means collectively the agreements between the Association and MR and the Association and MB, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreements; and "MR Project Agreement", "MB Project Agreement", or "respective Project Agreement" means singularly the project agreement between the Association and MR or the Association and MB, as the case may be.
- (l) "Subsidiary Credit Agreements" means collectively the subsidiary credit agreements entered or to be entered into between the

Borrower and MR and the Borrower and MB pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Subsidiary Credit Agreements; "respective Subsidiary Credit Agreement" means singularly the subsidiary credit agreement between the Association and MR or the Association and MB, as the case may be; and "Subsidiary Credit" means the credit made available under the respective Subsidiary Credit Agreement.

- (m) "Technical Services" means the services provided under a service contract for the overhauling of locomotives under Part A.1 of the Project or the rehabilitation of trucks under Part C.1 of the Project, as the case may be, and activities associated therewith, including the provision of spare parts thereunder.
- (n) "UM" means Ulaanbaatar Municipality, an administrative subdivision of the Borrower, or any successor thereto.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty one million six hundred thousand Special Drawing Rights (SDR 21,600,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association 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 Credit.

Section 2.03. The Closing Date shall be June 30, 1999 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15 commencing October 15, 2004 and ending April 15, 2034. Each installment to and including the installment payable on April 15, 2014 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such

principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

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 B, C.2, D, and E of the Project with due diligence and efficiency and in conformity with appropriate engineering, administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause MR and MB to perform all their obligations set forth in their respective Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable MR and MB 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 Association shall otherwise agree, the Borrower shall carry out Parts B, C.2, D, and E of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall relend an amount equivalent to SDR 6,220,000 and an amount equivalent to SDR 1,250,000 from the proceeds of the Credit to MR and MB respectively under separate subsidiary credit agreements to be entered into between the Borrower and MR and the Borrower and MB, under terms and conditions satisfactory to the Association including the following: (i) the term of the Subsidiary Credit shall, in case of MR, be 15 years including 5 years of grace, and, in case of MB, be not more than two years; (ii) interest on the principal amount of the Subsidiary Credit withdrawn and outstanding from time to time shall be payable, in the case of MR, at the rate of 3.5% per annum and, in the case of MB, at the rate equal to the rate specified in Section 2.05 of this Agreement; (iii) commitment charge on the principal amount of the Subsidiary Credit not

withdrawn from time to time shall be payable at a rate equal to the rate set by the Association in accordance with Section 2.04 of this Agreement; and (iv) the foreign exchange risk on the Subsidiary Credit shall be borne by MR and MB respectively.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, and 9.07 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, and maintenance respectively) in respect of Part A and Part C.1 of the Project shall be carried out by MR and MB pursuant to Section 2.03 and Section 2.04 of their respective Project Agreement.

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 Parts B, C.2, D, and E of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

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

(a) MR or MB shall have failed to perform any of their obligations under their respective Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that MR or MB will be able to perform their obligations under their respective Project Agreement.

(c) MR's Charter dated, June 6, 1949, or MB's Charter, dated May 8, 1993, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of MR or MB to perform any of their obligations under their respective Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of MR or MB or for the suspension of their operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of ninety days after notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in paragraphs (c) or (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Subsidiary Credit Agreements have been executed on behalf of the Borrower and MR and the Borrower and MB respectively.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreements have been duly authorized or ratified by MR and MB, and are legally binding upon MR and MB respectively in accordance with their respective terms; and

(b) that the Subsidiary Credit Agreements have been duly authorized or ratified by the Borrower and MR and the Borrower and MB and are legally binding upon the Borrower and MR and the Borrower and MB respectively in accordance with their respective terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 3.01, 4.01, and 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

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
Oktyabriin 7
Ulaanbaatar
Mongolia

Telex: 719-79241

For the Association:

International Development Association
1818 H Street, N.W.

Washington, D.C. 20433
United States of America

Cable address:	Telex:
INDEVAS 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 the District of Columbia, United States of America, as of the day and year first above written.

MONGOLIA

By /s/ Ts. Gombosuren

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Gautam S. Kaji

Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods and Technical Services under Part A of the Project (Railways Component)	6,220,000	100% of foreign expenditures
(2) Goods under Part B of the Project (Urban Transport Component)	7,130,000	100% of foreign expenditures
(3) Subsidiary Financing under Part C.1 of the Project (Road Freight Transport Component)	1,250,000	80% of the amount disbursed under the Subsidiary Financing
(4) Goods under Part D of the Project (Roads Component)	1,530,000	100% of foreign expenditures
(5) Consultants' services and training		100%
(a) Under Part A of the Project	390,000	
(b) Under Part B	500,000	

	of the Project	
(c)	Under Part C of the Project	500,000
(d)	Under Part D of the Project	290,000
(e)	Under Part E of the Project	610,000
(6)	Unallocated	3,180,000
	TOTAL	21,600,000

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 "Subsidiary Financing" shall have the same meaning assigned thereto in the MB Project Agreement.

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 the equivalent of \$140,000, may be made in respect of Category 5 (e) on account of payments made for expenditures before that date but after June 30, 1994; and

(b) a Subsidiary Financing unless the Subsidiary Financing has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Part B of the Schedule to the MB Project Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to: (a) develop its transport services in railways, urban transport, trucking, and roads; (b) strengthen the institutional capacity of its transport sector; and (c) undertake reforms in the transport sector.

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

Part A: Railways Component

1. Overhauling of about twenty-four MR locomotives and provision of spare parts for MR locomotives, freight wagons, and passenger coaches.
2. Conversion of about four hundred and twenty MR wooden freight wagon bodies to steel bodies.
3. Provision of equipment for MR workshops.
4. Preparation of a MR action plan aimed at improving: (i) MR's coal transport and its related costs, and (ii) MR's financial operations through the carrying out of studies on: (a) coal transportation by rail focusing on operations and costing; and (b) the business plan and restructuring options for MR.

Part B: Urban Transport Component

1. Provision of about fifty buses and ten trolley-buses and spare parts to

selected UM transport companies.

2. Preparation of an urban transport action plan aimed at strengthening the UM Department of Urban Transport and UM transport companies and focusing on: (a) the establishment of a policy framework for the planning, pricing and financing of urban transport services; (b) the improvement of urban transport operations; (c) the improvement of maintenance of urban transport equipment; and (d) procurement and training.

Part C: Road Freight Transport Component

1. Carrying out of subprojects comprising the rehabilitation and sale of about 520 out-of-service trucks.

2. Preparation of a road freight action plan aimed at: (a) the strengthening of road freight motor carriers through the carrying out of a business plan for selected motor carriers including the further privatization of Motor Carrier No. 1; and (b) the improvement of technical skills in road transport entities through the provision of training for selected motor carriers.

Part D: Roads Component

1. Provision of: (a) about 1,000 tons of bitumen; (b) maintenance equipment including spare parts for existing machinery, tractor-mounted excavators, small compaction equipment, trailers for transporting hot bitumen for spot repairs, and mechanical excavators; (c) computers, printers, and software to facilitate the identification of road maintenance priorities based on technical and economic criteria; and (d) laboratory equipment including glass laboratory equipment, equipment to test granular materials for sealed and unsealed roads, and equipment for testing asphalt quality for a network of about ten materials testing laboratories.

2. Preparation of a roads action plan aimed at: (a) the development of maintenance standards and specifications for sealed and unsealed roads; (b) the development of training manuals for materials testing laboratories; (c) the collection of basic data for use in the identification of road maintenance priorities; (d) the preparation of budget estimates for maintenance requirements; and (e) the development of accounting and business management procedures.

Part E: Sectoral Assistance Component

1. Preparation of a sector policy action plan aimed at: (a) adapting government policy objectives and institutional responsibilities in the transport sector to the needs of transition to a market economy; (b) the adoption of transport regulations that promote equitable competition among transport modes, help to develop small- and medium-size private transport operators, and promote safe and environmentally acceptable transport operations; (c) the reduction of pricing distortions in the transport sector; (d) the modification of existing transportation procurement procedures for strategic commodities and recommendations for appropriate market-oriented methods to meet requirements; and (e) the development of the transport component of the public sector investment program.

2. Provision of: (a) advisory services to MID to assist in the implementation of the Project; and (b) training for MID staff including equipment required therefor.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Mongolia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Contracts for Technical Services under Parts A.1 and C.1 of the Project, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.

2. (a) Except as provided in sub-paragraph (b) hereof, spare parts under Part B of the Project, estimated to cost the equivalent of \$1,000,000 or less per contract, up to an aggregate amount equivalent to \$4,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

(b) Contracts for spare parts of a proprietary nature under Part B of the Project, up to an aggregate amount equivalent to \$2,500,000, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods and Technical Services the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ or cause MR to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association

on the basis 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. For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

SCHEDULE 4

Implementation Program

1. The Borrower shall implement the Project through the Implementing Agencies as follows:
 - (a) Part A of the Project shall be carried out by MR with the assistance of MTI.
 - (b) Part B of the Project shall be carried out by UM with the assistance of MTI.
 - (c) Part C.1 of the Project shall be carried out by Eligible Beneficiaries with the assistance of MB and PCBs.
 - (d) Parts C.2, D, and E of the Project shall be carried out by MID with the assistance of MTI.
2. The Borrower shall: (a) maintain the Project Steering Group, established by MID, comprising representatives of MID (entrusted with the chairmanship of the said group), MTI, MOF, UM, MR, MB, and PCBs to coordinate and monitor the implementation of the Project; (b) by September 30, 1994, appoint a Sector Policy Adviser, under terms of reference satisfactory to the Association, to assist MID in the adoption of market-oriented policies, laws and regulations; and (c) by October 31, 1994, appoint a Project Implementation Adviser, under terms of reference satisfactory to the Association, to assist MID and the said Project Steering Group in the management, administration, and coordination of the Project.
3. The Borrower shall cause UM to, by November 30 every year commencing in 1994, establish operational guidelines including performance targets for the following calendar year, satisfactory to the Association, for operating bus and trolleybus companies owned and/or managed by UM.
4. The Borrower shall: (a) prepare a report on the adequacy of the current annual tax on trucks; (b) by June 30, 1995 furnish the said report to and discuss the results and recommendations thereof with the Association; and (c) thereafter, take appropriate steps to implement the said recommendations taking into account the comments, if any, thereon by the Association.
5. The Borrower shall: (a) by, November 15, 1995, prepare a business plan for selected motor carriers in accordance with terms of reference agreed with the Association; (b) thereafter, implement the said plan in a manner satisfactory to the Association; (c) by November 15, 1996, take actions, agreed with the Association, to further privatize Motor Carrier No. 1; and (d) disseminate information about the said business plan to other motor carriers as reasonably required by the Association.
6. The Borrower shall: (a) complete each of the Action Plans in accordance with a time-table, agreed with the Association; and (b) upon completion of each of the Action Plans, carry out the same in a manner satisfactory to the Association.
7. The Borrower shall, by June 30, 1995, adopt and put into force a Code for Environmental Practice for road works as agreed with the Bank.
8. The Borrower shall, jointly with MR: (a) undertake and, by April 30, 1996, complete the studies under Part A.4 of the Project in accordance with terms of reference satisfactory to the Association, and (b) take

appropriate steps to implement the recommendations of the said studies taking into account the views thereon of the Association.

9. The Borrower shall grant the requisite approval to MR to adjust tariffs, as appropriate, to meet its maintenance funding need for traction and rolling stock, and tracks in accordance with the maintenance program for traction and rolling stock, and tracks prepared by MR.
10. The Borrower shall, by December 31 every year commencing in 1994, adjust the urban transport fares for the following calendar year to keep pace with inflation in accordance with a formula agreed with the Association.
11. The Borrower shall, by October 30 every year commencing in 1995, prepare and furnish to the Association an estimate of funding needs for road maintenance and, thereafter, allocate the necessary funds to meet these needs taking into account the comments, if any, thereon by the Association.

