

CONFORMED COPY
LOAN NUMBER 4012 RU

Loan Agreement

(Enterprise Housing Divestiture Project)

between

RUSSIAN FEDERATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 29, 1996

LOAN NUMBER 4012 RU

LOAN AGREEMENT

AGREEMENT, dated July 29, 1996, between RUSSIAN FEDERATION (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) the Project will be carried out with the participation of the Participating Cities (as hereinafter defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Participating Cities part of the proceeds of the Loan as provided in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and the Project Center for Enterprise Housing Divestiture (CPIU);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Single Currency Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (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) "Project Agreement" means the agreement between the Bank and the CPIU 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 Agreement;

(b) "Participating Cities" means the Cities of Ryazan, Vladimir, Petrozavodsk, Volkhov, Cherepovets, Orenburg;

(c) "Participating City Subsidiary Loan Agreements" means the agreements to be entered into among the Borrower, the Participating Cities, and the Governments of the Oblast or Republic in which the Participating Cities are located pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the said Agreements;

(d) "Participating City Subsidiary Loans" mean the loans to be provided out of the proceeds of the Loan to the Participating Cities under the Participating Cities Subsidiary Loan Agreements;

(e) "CPIU" means a foundation or other independent organization created by the Borrower for the purposes of this Agreement;

(f) "LIG" or "LIGs" mean the local implementation group or groups established by the Participating Cities pursuant to the provisions of sub-point (iii) of Section 3 of Schedule 1 to this Agreement;

(g) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(h) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated July 31, 1995 and August 21, 1995 between the Borrower and the Bank.

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 three hundred million Dollars (\$300,000,000).

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 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 cancelled.

Section 2.03. The Closing Date shall be December 31, 2002 or such

later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

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

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to 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 2.06 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in single currency 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.
- (iii) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent ($1/2$ 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.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, 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 amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The 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 2.06. Interest and other charges shall be payable May 15 and November 15 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the

objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall carry out the Project with the participation of the Participating Cities. To that end, the Borrower shall act through the CPIU, shall cause the CPIU to perform in accordance with the provisions of the Project Agreement all the obligations of the CPIU therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the CPIU to perform such obligations and the Participating Cities to carry out their obligations in respect of the Project, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall: (i) make available to the CPIU the proceeds of the Loan allocated from time to time to Categories (1) (b) and (4) of the table set forth in paragraph 1 of Schedule 1 to this Agreement; and (ii) relend the proceeds of the Loan allocated from time to time to each of the sub-Categories of Category (2) of such table to the respective Participating City and the pro-rated portion allocated to Categories 1 (a), 3, one-half of 5 and 6 of such table under subsidiary loan agreements (the Participating City Subsidiary Loan Agreement) to be entered into among the Borrower, each of the Participating Cities, and the Government of the Oblast or Republic in which the Participating Cities are located, providing for Participating City Subsidiary Loans, under terms and conditions acceptable to the Bank which shall include:

- (i) the principal amount of each Participating City Loan will be denominated in Dollars and be the equivalent amount withdrawn from the Loan Account, or the payment out of the Special Account, and the Participating Cities shall carry the foreign exchange risk;
- (ii) each Participating City shall pay: (1) interest on the principal amount of the Participating City Subsidiary Loan withdrawn and outstanding from time to time, at a variable interest rate equal to the rate applicable pursuant to the provisions of Section 2.05 of this Agreement plus a mark-up of up to 250 basis points; and (2) a commitment charge on the amount relented to the respective Participating City Subsidiary Loan not withdrawn from time to time at the same rate as applicable under the provisions of Section 2.04 of this Agreement;
- (iii) the Participating City Subsidiary Loan shall have a grace period of six years and a final maturity of 14 to 15 years; and
- (iv) the implementation responsibilities of the respective Participating City in respect of Parts A.4, B and C of the Project.

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

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

Section 3.03. The Bank and the Borrower hereby agree that 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) shall be carried out by the CPIU or the respective Participating City.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;
 - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and
 - (iii) enable the Bank's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
 - (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

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

- (a) The CPIU shall have failed to perform any of its obligations under the Project Agreement.
- (b) A Participating City shall have failed to perform any of its obligations in respect of Project execution under the respective Participating City Subsidiary Loan Agreement.
- (c) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that the CPIU will be able to perform its obligations under the Project Agreement.
- (d) The charter of the CPIU shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the CPIU to perform any of its obligations under the Project Agreement.
- (e) An authority having jurisdiction shall have taken any

action for the dissolution or disestablishment of the CPIU or for the suspension of its operations.

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

(a) the events specified in paragraphs (a) or (b) of Section 5.01 of this Agreement shall occur in respect of an obligation so as to affect materially and adversely the execution of the Project and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower;

(b) the events specified in paragraphs (d) and (e) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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) at least two Participating City Subsidiary Loan Agreements have been executed on behalf of the Borrower and two Participating Cities.

Section 6.02. The following are specified as additional matters, 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:

(a) that the Project Agreement has been duly authorized or ratified by the CPIU and is legally binding upon the CPIU in accordance with its terms; and

(b) that the Participating City Subsidiary Loan Agreements referred to in Section 6.01 (a) of this Article have been duly authorized or ratified by the Borrower and the respective Participating City and are legally binding upon the Borrower and the respective Participating City in accordance with their 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.

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance
Ilyinka Street 9
103009 Moscow
Russian Federation

Telex:

112008

For the Bank:

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

United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

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.

RUSSIAN FEDERATION

By /s/ Yuli Vorontsov

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yukon Huang

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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Technical Assistance under Part A (1) of the Project		
(a) Engineering, Procurement, and Technical Services	20,500,000	100%
(b) Other Consultants' Services	5,500,000	100%
(2) Parts B of the Project in:		
(a) Ryazan:	59,100,000	
(i) Works		100% of foreign expenditures and 80% of local expenditures
(ii) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost)

		and 80% of local expenditures for other items procured locally
(a)	Ryazan (contd.)	
	(iii) Consultants' services	100%
(b)	Vladimir: 54,500,000	
	(i) Works	100% of foreign expenditures and 80% of local expenditures
	(ii) Goods	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
	(iii) Consultants' services	100%
(c)	Petrozavodsk: 34,800,000	
	(i) Works	100% of foreign expenditures and 80% of local expenditures
(c)	Petrozavodsk (contd.)	
	(ii) Goods	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
	(iii) Consultants' services	100%
(d)	Volkhov 10,900,000	
	(i) Works	100% of foreign expenditures and 80% of local expenditures
	(ii) Goods	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(d)	Volkhov (contd.)	
	(iii) Consultants'	100%

Services		
(e) Cherepovets	27,300,000	
(i) Works		100% of foreign expenditures and 80% of local expenditures
(ii) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(iii) Consultants' services		100%
(f) Orenburg:	59,100,000	
(i) Works		100% of foreign expenditures and 80% of local expenditures
(f) Orenburg (contd.)		
(ii) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(iii) Consultants' services		100%
(3) Upstream retrofits under Part C of the Project:	5,000,000	
(i) Works		100% of foreign expenditures and 80% of local expenditures
(ii) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(iii) Consultants' Services		100%
(4) Operating cost of the CPIU	3,000,000	100%
(5) Refunding of Project	3,000,000	Amount due pursuant

Preparation Advance

to Section 2.02 (c) of
this Agreement

(6) Unallocated 17,300,000

TOTAL 300,000,000
=====

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 "operating cost" means expenditures on account of the Project incurred by the CPIU for rental of premises, purchase or rental of small equipment, utility services, fees for maintenance of premises, including minor renovations, or equipment, and office supplies.

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; nor

(b) expenditures under each of the sub-Categories of Category (2) of this Schedule unless: (i) the respective Participating City Subsidiary Loan Agreement has been signed with the respective Participating City; (ii) the Bank has received a legal opinion, satisfactory to the Bank of counsel acceptable to the Bank that the respective Participating City Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and the respective Participating City and is legally binding upon the Borrower and the respective Participating City; and (iii) the respective Participating City has established a local implementation group (LIG) with responsibilities and staffing acceptable to the Bank.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for goods, works and services provided by consulting firms under contracts not exceeding \$100,000 equivalent and for expenditures for services provided by individual consultants, 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 accelerate the sustainable divestiture of enterprise housing throughout Russia by demonstrating within the Participating Cities a combination of housing reforms and investments designed to transfer housing to the private sector and lower its operating cost.

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: Housing Divestiture and Associated Reforms

1. Provision of technical assistance through the CPIU to strengthen the Participating Cities' technical, institutional and financial capacity for the purpose of the process of implementation of the enterprise housing divestiture program.

2. Provision of technical assistance through the CPIU to the

Participating Cities in the following areas: (a) cost recovery for housing maintenance and utility services; (b) establishment and implementation of a system of providing housing allowances to protect vulnerable households; (c) formation of condominium associations, including the legal and regulatory framework necessary therefor; and (d) competitive bidding for housing maintenance.

3. Dissemination of experience emanating from the Project reforms and investments, both among Participating Cities and throughout Russia by means of periodic meetings, seminars, newsletters, and other media.

4. Provision of housing allowances by the Participating Cities to protect vulnerable households in Participating Cities.

Part B: Energy Efficiency Investments in Housing Facilities in Participating Cities

1. Acquisition and installation of metering equipment.

2. Investments for the retrofitting of housing facilities to reduce energy consumption and lower operating costs in accordance with eligibility and priority criteria acceptable to the Bank.

3. Capital repairs of housing facilities, including repair of roofs, doors, walls and windows.

Part C: Upstream Retrofits in Participating Cities

1. The repair of existing utility networks outside of the building boundaries to permit these networks to function as designed.

2. The retrofitting of existing networks outside of the building boundaries with equipment or materials designed to improve the efficiency of these networks.

* * * * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)
On each May 15 and November 15	
beginning November 15, 2002 through November 15, 2010	16,665,000
And on May 15, 2011	16,695,000

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

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

Part B: International Competitive Bidding

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

thereto.

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

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$300,000 equivalent or more each and contracts for works in bid packages of \$1,000,000 equivalent or more each.

(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.

3. National Competitive Bidding

Metering and retrofit equipment estimated to cost \$300,000 equivalent or less per contract and \$3.4 million equivalent or less in the aggregate, and works estimated to cost \$1 million or less per contract and \$34.5 million equivalent or less in the aggregate may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

4. International Shopping

Goods estimated to cost \$300,000 equivalent or less per contract and \$1.9 million equivalent or less in the aggregate, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

5. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$2.4 million 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.

6. Procurement of Small Works

Works estimated to cost \$150,000 equivalent or less per contract, and not to exceed \$745,000 in the aggregate, shall be procured under lump-sum, fixed price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to successfully complete the contract.

7. Direct Contracting

Goods which are of a proprietary nature may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part C: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any bids 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 a proposed procurement plan, which shall be furnished and have been approved by the Bank, and in

accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines.

2. Prior Review

With respect to each contract for goods and works estimated to cost the equivalent of \$300,000 or \$1,000,000 or more respectively, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

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

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Bank, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) 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 \$1 million 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 \$300,000 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 million.

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 with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such

further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the 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.

