

CONFORMED COPY

LOAN NUMBER 4437 KZ

Loan Agreement

(Road Transport Restructuring Project)

between

REPUBLIC OF KAZAKHSTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated April 16, 1999

LOAN NUMBER 4437 KZ

LOAN AGREEMENT

AGREEMENT, dated April 16, 1999, between the REPUBLIC OF KAZAKHSTAN (the Borrower) and the 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; and

WHEREAS (B) 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) "BIP" means the Board of Investment Projects established by the Borrower within RSRE, and includes any successor or successors thereto.

(b) "DOR" means the Borrower's Department of Automobile Roads within the MOTC, and includes any successor or successors thereto.

(c) "DORT" means the Borrower's Department of Automobile Road Transport within the MOTC, and includes any successor or successors thereto.

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

(e) "MOTC" means the Borrower's Ministry of Transport and Communications, and includes any successor or successors thereto.

(f) "PIU" means the Project Implementation Unit referred to in paragraph 2 of Schedule 5 to this Agreement.

(g) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters signed by the Bank on September 27, 1996, and countersigned by the Borrower on November 18, 1996, and an exchange of letters signed by the Bank on September 23, 1998, and countersigned by the Borrower on December 23, 1998.

(h) "RSRE" means the Borrower's Republican State Road Enterprise, and includes any successor or successors thereto.

(i) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

(j) "WG" means the Working Group referred to in paragraph 3 of Schedule 5 to this Agreement, and includes any successor or successors thereto.

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 one hundred million Dollars (\$100,000,000).

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, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan and in respect of interest and other charges on 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, acceptable to the Bank, on terms and conditions acceptable 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 6 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 December 31, 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 the 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) "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.

(iii) "LIBOR Total Spread" means, for each Interest Period: (A) three-fourths 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.

(d) 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 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 on March 15 and September 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 as set forth in Schedule 2 to this Agreement, and, to this end, shall carry

out Parts A, B, C and E of the Project through BIP and PIU, and Part D of the Project through the WG, all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, and technical practices, and shall provide, 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 Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project and carry out Parts A, B, and C of the Project through BIP and PIU, Part D of the Project through the WG, all 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, works, and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the continued achievement of the Project objectives; and

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

Section 3.04. The Borrower shall take all measures necessary and appropriate to ensure satisfactory maintenance of its national, transnational and regional (Oblast) road network, including the provision of adequate funding for such maintenance, and shall spend for maintenance and rehabilitation of its national and transnational road network no less than \$100 million equivalent in calendar year 1999, no less than \$125 million equivalent in calendar year 2000, and no less than \$150 million equivalent in calendar year 2001 and each year thereafter.

Section 3.05. The Borrower shall: (a) by March 31, 2000, review, under terms of reference acceptable to the Bank, its system of road user charges and discuss with the Bank the result of such review; and (b) increase gradually road user charges paid by truck and bus owners or operators so that the sum of all such charges shall be at least 75 percent of the road use cost attributable to trucks and buses by September 30, 2000, and 100 percent of such costs by September 30, 2002, and thereafter.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained 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 Account, for each fiscal year audited, in accordance with appropriate auditing standards acceptable to the Bank consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year 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 shall from time to time reasonably request.

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

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

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

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

ARTICLE V

Effectiveness 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 financial management system referred to in Section 4.01 (a) of this Agreement has been established in the PIU;

(b) the auditors referred to in Section 4.01 (b) (i) of this Agreement have been appointed to undertake the audit for the first fiscal year during Project implementation in accordance with Section 4.01(b) (i) of this Agreement; and

(c) the PIU has been established in accordance with paragraph 2 of Schedule 5 to this Agreement. Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower at the time responsible for finance 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
60 Republic Avenue
473000, Astana
Republic of Kazakhstan

Telex:

264126 (FILIN)

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 KAZAKHSTAN

By /s/ Bolat Nurgaliyev

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Fred M. King

Acting 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) Civil works		70%
(a) Under Part A.1 of the Project	61,800,000	
(b) Under Part A.2 of the Project	13,200,000	
(2) Consultants' services, including training and study tours	5,400,000	100%

(3)	Goods		
	(a) Under Part B of the Project	5,200,000	100% of foreign expenditures, 100% of local expenditures
	(b) Under Parts C, E (ex-factory and F of the Project of	1,400,000	cost) and 80% local expenditures for other items procured locally
(4)	PIU Incremental Operating Costs	1,100,000	100%
(5)	Refunding of Project pursuant Preparation Advance	1,100,000	Amounts due to Section 2.02 (c) of this Agreement
(6)	Fee	1,000,000	Amount due under Section 2.04 of this Agreement
(7)	Unallocated	9,800,000	
	TOTAL	100,000,000	

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 the incremental operating costs incurred by the PIU on account of Project implementation, management, monitoring and supervision costs, including the cost of office space rental, equipment and supplies, utilities, repairs and maintenance thereof, communication, travel, audit of Project accounts, and PIU consultants, but excluding salaries of officials of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures:

(a) prior to the date of this Agreement;

(b) under Category (1) (b), unless the Borrower has developed the economic, technical, environmental and operational data and information acceptable to the Bank with respect to the rehabilitation works under Part A.2 of the Project in accordance with paragraph 6 of Schedule 5 to this Agreement; and

(c) under Category (3) (a), unless the Borrower has established systems, procedures, and technical standards acceptable to the Bank, for programming, contracting, and execution of routine and winter maintenance on the Almaty-Karaganda road in accordance with paragraph 4 of Schedule 5 to this Agreement, and for the renting of equipment agreed with 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: (a) goods under contracts costing less than \$200,000 equivalent; (b) services under contracts costing less than \$100,000 equivalent in case of firms, and under contracts costing less than \$50,000 equivalent in case of individuals; and (c) PIU 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 objective of the Project is to assist the Borrower to develop more efficient road and road transport subsectors in Kazakhstan.

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: REHABILITATION OF NATIONAL ROADS

1. Rehabilitation of several selected segments of the national road network, totaling about 500 kilometers, including the strengthening and reconstruction of pavements, bringing particular road sections to common width standards, some limited geometric improvements for safety reasons, improvements to drainage and repairs of culverts, and bridge rehabilitation or replacement.

2. Rehabilitation of several selected segments of the national road network between the cities of Karaganda and Astana, totaling about 100 kilometers, including the strengthening and reconstruction of pavements, bringing particular road sections to common width standards, some limited geometric improvements for safety reasons, improvements to drainage and repairs of culverts, bridge rehabilitation or replacement, and construction of bypasses.

3. Provision of engineering, procurement and other consultants' services and training for the rehabilitation of national roads and supervision of construction of road works.

PART B: STRENGTHENING OF ROUTINE ROAD MAINTENANCE

Improvement of the execution capacity of Kazakh road maintenance enterprises through the provision of equipment and spare parts for improving routine road maintenance.

PART C: INSTITUTIONAL STRENGTHENING

Improvement of the institutional capacity of key government organizations in the road subsector in a sustainable manner through: (a) the establishment of planning, budgeting and monitoring procedures for the national and regional road network, based on the objective assessment of road condition and the economic analysis of alternative solutions, as well as the training of staff of MOTC and local specialists in these procedures, and technical support for preparation of national and regional (Oblast) budgets in 2001; (b) the establishment of procedures for the supervision of road works carried out under contracts on the national and regional road network, as well as the training of staff of MOTC and local specialists in these procedures; (c) the preparation of training programs for Kazakh contractors in subjects such as bid preparation, contract administration, cost control, management, and quality control; (d) the strengthening of MOTC training capacity in the above three subjects; and (e) provision of consultants' services, training, study tours, and equipment for road condition surveys, traffic surveys, data processing, on-site and laboratory tests, and office use.

PART D: ROAD TRANSPORT LAWS, REGULATIONS AND POLICIES

Development of a modern legal framework for road transport and the improvement of the road subsector regulatory regime as well as its enforcement through: (a) the improvement and development of laws and regulations pertinent to roads and road transport, for example, the regulations on vehicle size and weight, on international road freight transport, on traffic rules, on vehicle road worthiness and emissions standards, and on inter-city and rural bus route operation, as well as the phasing out (where applicable) of obsolete or contradictory regulations; (b) the improvement of enforcement activities, through a clarification and better coordination of the roles of the enforcement agencies involved, the elimination of duplication and inefficient controls, the strengthening of the agencies, and better information of the public; (c)

the improvement of systems to collect and process data on the road transport subsector and to monitor its development; (d) the development of a more competitive market for the provision of inter-city and rural passenger transport services, including the development of independent bus stations; and (e) provision of consultants' services and training.

PART E: IMPROVEMENT IN ROAD SAFETY

Improvement in road safety including the following: (a) the setting up of a temporary road safety task force and the preparation of a preliminary National Road Safety Action Plan and Local Safety Plans, which would outline the main features of the national road safety policies, the main actions to be taken in the coming years, and monitorable objectives; (b) improvements in the collection and processing of road accident data, and in their dissemination, (including improvements in the methods for identifying and analyzing black spots); (c) development of road safety research in Kazakhstan, including assisting local road safety experts in carrying out detailed economic evaluations related to road accidents according to latest international procedures, and helping to establish liaison between Kazakh institutes and international road safety institutes; (d) improved enforcement of road safety rules and regulations by law enforcement entities, including the provision of appropriate equipment for the conduct of such activities; (e) the development of a better understanding of road safety problems among young people and in the population at large and the corresponding promotion of better driving behavior and safer traffic practices, including, among other things, road safety publicity and awareness campaigns, the dissemination of related materials, road safety teaching in schools, and training of road safety instructors and teachers; (f) the review of the state of existing, and possible provision of additional, emergency medical and other equipment (air ambulances, emergency roadside telephones) for use in dealing with road accidents; and (g) provision of consultants' services, training, study tours, and equipment for data collection, processing, and office use.

PART F: PROJECT MANAGEMENT

Improvement of the PIU's capability to manage the Project through the provision of consultants' services, including auditing services, office space, office equipment and supplies, utilities, repairs and maintenance, advertising and promotion, communication, training, travel, and any other goods and services necessary to the PIU's operations.

* * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
September 15, 2004	2,120,000
March 15, 2005	2,185,000
September 15, 2005	2,245,000
March 15, 2006	2,315,000
September 15, 2006	2,380,000
March 15, 2007	2,450,000
September 15, 2007	2,525,000
March 15, 2008	2,600,000
September 15, 2008	2,675,000
March 15, 2009	2,755,000
September 15, 2009	2,835,000
March 15, 2010	2,920,000
September 15, 2010	3,005,000
March 15, 2011	3,095,000
September 15, 2011	3,185,000
March 15, 2012	3,280,000
September 15, 2012	3,375,000

March 15, 2013	3,475,000
September 15, 2013	3,575,000
March 15, 2014	3,680,000
September 15, 2014	3,790,000
March 15, 2015	3,900,000
September 15, 2015	4,015,000
March 15, 2016	4,135,000
September 15, 2016	4,255,000
March 15, 2017	4,380,000
September 15, 2017	4,510,000
March 15, 2018	4,645,000
September 15, 2018	4,780,000
March 15, 2019	4,915,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Sections 4.04 (d) of the General Conditions.

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 and revised in January and August 1996 and September 1997 (the Guidelines) and the following provisions of this Section.

Part B: International Competitive Bidding

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

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

(a) Prequalification

Bidders for civil works, estimated to cost \$5,000,000 or more, shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for civil works shall be grouped in bid packages estimated to cost \$4,000,000 equivalent or more each.

(c) 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.

(d) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. International Shopping

Goods, estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 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 estimated to cost less than \$75,000 equivalent per contract, up to an aggregate amount not to exceed \$350,000 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 prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract procured under Part B.1 of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract procured under Parts C.1 and C.2 of this Section, the following procedures shall apply:

(i) prior to the selection of any supplier, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2 (f) and 2 (g) and 3 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 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

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. Selection Based on Consultants Qualifications

Services, estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 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, 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 individual consultants, 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 said approval shall have been given.

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 acceptable to the Bank, and furnish to the Bank, on or about January 31, 2001, 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 March 31, 2001, or such later date as the Bank shall request, the report referred to in subparagraph (b) of this paragraph, 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 views on the matter.

2. The Borrower shall, through RSRE, establish, and until completion of the Project, maintain a Project Implementation Unit within BIP for coordinating all the activities under the Project, and shall ensure that the PIU functions at all times in a manner and with such staffing, organization, systems, including financial management and control systems, funds, facilities and other resources acceptable to the Bank. The PIU shall, for each calendar year during Project implementation, prepare an annual budget acceptable to the Bank of its proposed expenditures for the forthcoming year.

3. The Borrower shall establish and, until completion of the Project, maintain a Working Group comprising representatives of DOTR, the Transport Inspectorate of MOTC, and the Legal Division of MOTC to coordinate activities under Part D of the Project, and shall ensure that the WG functions at all times in a manner and with such

staffing, funds, facilities and other resources acceptable to the Bank.

4. The Borrower shall, by December 31, 1999, formulate, adopt and implement systems, procedures, and technical standards, acceptable to the Bank, for the programming, contracting, and execution of routine and winter road maintenance on the Almaty-Karaganda road.

5. The Borrower shall ensure that the construction of any new segments, if any, that may be required for the rehabilitation of roads under the Project, is carried out in accordance with the applicable policies of the Bank concerning environment and resettlement, in a manner acceptable to the Bank.

6. Before implementing Part A.2 of the Project, the Borrower shall develop economic, technical, environmental and operational data and information, under terms of reference and of scope and detail acceptable to the Bank, with respect to the rehabilitation works under Part A.2 of the Project.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (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 US\$7,000,000 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 US\$3,500,000 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 US\$14,000,000.

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 acceptable 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.

