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CONFORMED COPY

LOAN NUMBER 7965-KZ

Loan Agreement

(Alma Electricity Transmission Project)

between

**JOINT STOCK COMPANY “KAZAKHSTAN ELECTRICITY
GRID OPERATING COMPANY”**

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated December 25, 2010

LOAN NUMBER 7965-KZ

LOAN AGREEMENT

Agreement dated December 25, 2010, between JOINT STOCK COMPANY "KAZAKHSTAN ELECTRICITY GRID OPERATING COMPANY" ("Borrower" or "KEGOC") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of seventy eight million Dollars (\$78,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa, or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — TERMINATION

- 4.01. The Effectiveness Deadline is the date one hundred and eighty (180) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower’s Representative is the President of KEGOC.
- 5.02. The Borrower’s Address is:

Joint Stock Company
“Kazakhstan Electricity Grid Operating Company”
37 Beibitshilik Street,
Astana 010000
Republic of Kazakhstan

Telephone:

7 (7172) 970159

Facsimile:

7 (7172) 97 04 55

5.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Astana, Republic of Kazakhstan, as of the day and year first above written.

**JOINT STOCK COMPANY "KAZAKHSTAN
ELECTRICITY GRID OPERATING COMPANY"**

By /s/ Almasadam Satkaliyev

Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Ilyas Sarsenov

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the reliability and quality of electricity supply to consumers in the Almaty region in an environmentally responsible and financially sustainable manner.

The Project consists of the following parts:

Part 1: Construction of Transmission System Lines

Provision of goods and works for: (a) construction of a 500 kV overhead transmission line (OHTL) from YuKGRES substation to Alma substation; (b) construction of a 500 kV OHTL from Almaty substation to Alma substation; (c) construction of a 220 kV OHTL from Alma substation to Kensai substation; (d) construction of the incoming cross connection lines of the 220 kV OHTL from Almaty CHP-3 to Robot substation for connection with Alma substation; and (e) construction of incoming cross connection lines of the 220 kV OHTL from Almaty CHP-3 to Shelek substation for connection with Alma substation.

Part 2: Construction, Extension and Modernization of Substations

Provision of goods and works for: (a) construction of 500 kV Alma substation; (b) extension and modernization of 500 kV Almaty substation; and (c) extension and modernization of 500 kV YuKGRES substation.

Part 3: Consulting and Technical Services

Provision of: (a) consultants' services for procurement and Project management for the construction of the 500 kV OHTL from YuKGRES substation to Alma substation, including preparation of bidding documents and technical specifications, site visits, quality control and monitoring of all executed work, and verification of contractor's payments and reporting; and (b) technical services for the selection and approval of the OHTL route including support for selection of the transmission routes, conduct of engineering surveys and engineering supervision of contracts during construction.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

- A. Institutional Arrangements.** The Borrower shall carry out the Project in accordance with the following institutional and other arrangements:
1. The Borrower, through the PMD, shall carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the EMP, the PIP and the Land Acquisition Policy Framework, and shall not assign, amend, abrogate or waive any provisions of the EMP, the PIP or the Land Acquisition Policy Framework without prior approval of the Bank.
 2. At all times during the implementation of the Project, the Borrower shall maintain the PMD and shall entrust it with such functions and powers, and provide such funds, facilities and resources, including qualified and experienced staff in adequate numbers, as may be deemed necessary by the Bank.
 3. The Borrower shall:
 - (a) prepare, prior to the commencement of any construction works requiring land acquisition under the Project, a Land Acquisition Plan, satisfactory to the Bank, in accordance with the Land Acquisition Policy Framework;
 - (b) implement the Land Acquisition Plan, including, unless otherwise agreed with the Bank, payment in full of compensation to all affected people prior to commencing of any related works; and
 - (c) not amend, suspend or abrogate any of the provisions of the Land Acquisition Plan without the prior agreement of the Bank.
 4. The Borrower shall:
 - (a) prepare, prior to the construction of overhead transmission lines, a detailed EA, including an updated EMP, as necessary, satisfactory to the Bank, which the Borrower shall disclose in accordance with the Bank's applicable policies;
 - (b) carry out the Project in accordance with the EA and EMP; and
 - (c) not amend, suspend or abrogate any of the provisions of the EA or EMP without the prior agreement of the Bank.
 5. The Borrower shall meet the following financial performance indicators: (i) for the calendar year 2011, attain a Current Ratio of at least 0.8 and 1.0 after December 31, 2011 until completion of the Project; (ii) attain a Self-financing Ratio equal to 10% of the three-year moving average investment program in the calendar year 2011 and 20% after December 31, 2011 until completion of the Project; and (iii) refrain from incurring

additional debt unless the Debt Service Ratio is at least 0.9 for the calendar year 2011 and 1.2 after December 31, 2011 until completion of the Project.

6. The Borrower shall not grant new tariff discounts on transmission services except for those that are based on reasonable commercial considerations of the Borrower, and agreed upon by the Bank. In no case shall discounts be granted for transmission volumes which would either displace higher-revenue volumes or require new investments in transmission capacity.
7. The Borrower shall ensure that the overhead transmission lines will not encroach upon any specially protected natural areas.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its financial statements and the Financial Statements for the Project audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set

forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

International Competitive Bidding. Goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

C. Particular Methods of Procurement of Consultants' Services

Quality- and Cost-based Selection. Consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (Expressed in USD)	Percentage of Expenditures to be Financed
Goods, works and consultants' services for Parts 1(a) and 3(a) of the Project	78,000,000	100%
TOTAL AMOUNT	<u>78,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or
 - (b) for payments made prior to the date of this Agreement.
2. The Closing Date is April 30, 2015.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each January 15 and July 15 beginning January 15, 2016 through July 15, 2035	2.5%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section II of this Appendix.
2. “Capital Expenditures” means all expenditures incurred on account of fixed assets related to operations including interest charged to construction related to operations. This is to be averaged over a three year period covering the year concerned, the year preceding and the year succeeding such year.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
5. “Current Assets” means all assets which could, in the ordinary course of business, be converted into cash within twelve (12) months, including accounts receivable, cash, marketable securities, inventories and prepaid expenses properly chargeable to operating expenses within the next fiscal year.
6. “Current Liabilities” means all liabilities which will be come due and payable or could, under circumstances then existing, be called for payment within twelve (12) months, including accounts payable, customer advances to the Borrower, debt service requirements, taxes and payments in lieu of taxes and dividends.
7. “Current Ratio” means the Current Assets divided by Current Liabilities.
8. “Debt Service Ratio” means the Net Revenues of the Borrower divided by the debt service requirements of the Borrower in that same year.
9. “EA” means the Environmental Assessment, to be prepared by the Borrower, pursuant to paragraph 4 of Section I.A of Schedule 2 of this Agreement, as part of the detailed working design and alignment of overhead transmission lines to be constructed under the Project, and satisfactory to the Bank.
10. “Environmental Management Plan” or “EMP” means the document, disclosed in the Bank’s Infoshop on October 9, 2009, and updated as necessary during Project implementation based on the detailed alignment and design of overhead transmission lines, adopted by the Borrower, and satisfactory to the Bank, in respect of works to be undertaken by the Borrower under the Project defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities under the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper

- implementation of, and regular feedback on compliance with, its terms, as the same shall be updated during the Project implementation based on the detailed working design and alignment of overhead transmission lines, or may be amended or supplemented in any other way from time to time with the Bank's prior written approval.
11. "Funds From Internal Sources" means the difference between:
 - (a) the sum of revenues from all sources related to operations, customer deposits and customer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash: and
 - (b) the sum of all expenses related to operations, including administration, license fees, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges and income taxes), debt service requirements, all cash dividends and other cash outflows other than Capital Expenditures, increase in working capital other than cash. For the purposes of this definition, the term "working capital other than cash" means the difference between Current Assets excluding cash and Current Liabilities at the end of each fiscal year.
 12. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 31, 2010.
 13. "KEGOC" or "Borrower" means the Joint Stock Company "Kazakhstan Electricity Grid Operating Company", a legal entity established pursuant to a Decree of the Government of the Republic of Kazakhstan No. 1188 dated September 28, 1996, and existing under the laws of the Republic of Kazakhstan, and includes its successors and permitted assignees.
 14. "Land Acquisition Plan" means the site-specific document, adopted by the Borrower, pursuant to paragraph 3 of Section I.A of Schedule 2 to this Agreement, and satisfactory to the Bank, containing, *inter alia*, a program of actions, measures and policies for compensation of persons affected by land acquisition, including compensation arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms for each site.
 15. "Land Acquisition Policy Framework" means the Borrower's policy framework, disclosed on the Borrower's website on October 10, 2009, and at Infoshop October 20, 2009, providing procedures and guidelines for the preparation, adoption, implementation and monitoring of a Land Acquisition Plan and referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement, as said framework may be amended from time to time with the prior approval of the Bank.
 16. "Net Revenues" means the difference between: (a) the sum of revenues from all sources related to operations and net non-operating income; and (b) the sum of all expenses related to operations, including license fees, administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

17. “PIP” means the Project implementation plan referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement, as said plan may be amended from time to time with the concurrence of the Bank.
18. “PMD” means the Project management department established pursuant to the Borrower’s Resolution dated May 27, 1999, responsible for implementation of the Project.
19. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010.
20. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated November 12, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
21. “Self-financing Ratio” means the ratio of Funds From Internal Sources divided by the three year moving average of Capital Expenditures.

Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has

entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”