

Public Disclosure Authorized

**CONFORMED COPY**

---

---

**LOAN NUMBER 4769 RU**

# **Loan Agreement**

**(National Hydromet Modernization Project)**

**between**

**RUSSIAN FEDERATION**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated August 11, 2005**

Public Disclosure Authorized



**LOAN NUMBER 4769 RU**

**LOAN AGREEMENT**

AGREEMENT, dated August 11, 2005, between RUSSIAN FEDERATION (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

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;

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 May 1, 2004) (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) “Agency Agreement” means the agreement to be entered into between the Borrower (represented by MOF) and RHM and BEA, pursuant to Section 3.02 (b) of this Agreement;

(b) “BEA” means the Bureau of Economic Analysis, an autonomous non-commercial legal entity, established in the form of a foundation pursuant to the law of the Borrower on non-commercial entities, and operating in accordance with its founders’ agreement and Statutes registered with the Ministry of Justice of the Borrower on

August 9, 1996 (Ministry of Justice Certificate of Registration No. UR-31), and under the governance of a Project Management Committee; being the organization authorized to implement the Project pursuant to the Agency Agreement;

(c) “Capacity Building Program” means a program developed by RHM pursuant to Administrative Order No. 47 dated February 15, 2005, with the concurrence of the Project Management Committee, for the purpose of providing adequate expertise to RHM consistent with the objectives of the Project, by providing funds for the payment of services of experts to be engaged in the adaptation of certain software, as required in relation to the commissioning of new “high-end” computers to be provided under the Project;

(d) “Capacity Building Program Manual” means the manual approved by the Project Management Committee providing for the establishment and operational procedures of the Capacity Building Program, satisfactory to the Bank, as referred to in Section C of Schedule 5 to this Agreement;

(e) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(f) “MOF” means the Borrower’s Ministry of Finance;

(g) “Procurement Plan” means the Borrower’s procurement plan, dated July 9, 2004, covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.03 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation;

(h) “Project Management Committee” means the committee responsible for preparation and implementation of the Project, which was established pursuant to the Order# 137 of RHM, dated October 11, 2004, and which is referred to in Paragraph A.2 of Schedule 5 to this Agreement;

(i) “Project Operational Manual” means the manual to be adopted by the Project Management Committee, setting forth procedures and rules related to Project implementation, as the same may be amended from time to time;

(j) “RHM” means the Borrower’s Federal Service for Hydrometeorology and Environmental Monitoring (RosHydromet); and

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

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to BEA.

## **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 eighty million dollars (\$80,000,000).

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: (i) 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 and to be financed out of the proceeds of the Loan; and (ii) amounts paid (or, if the Bank shall so agree, to be paid) by BEA on behalf of the Borrower to selected staff of RHM institutions in respect of qualifying activities undertaken by such staff to implement Part A.1 of the Project, to the extent that payments for such activities shall have been authorized and shall be deemed eligible for financing in accordance with the provisions of Schedule 1 of this Agreement.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account (the Special Account) in a bank acceptable to the Bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2010, 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 front-end fee in an amount equal to one percent (1.00%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. Such fee shall be payable not later than sixty (60) days after the Effective Date.

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 1.00%) 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) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
- (iii) “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.
- (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent ( $3/4$  of 1.00%); (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 new 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 in arrears on April 15 and October 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. The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its obligations under the Loan Agreement, shall:

(a) carry out the Project through RHM, with the assistance of BEA, with due diligence and efficiency and in conformity with appropriate administrative, financial and environmental practices;

(b) take or cause to be taken all action necessary or appropriate to enable BEA to perform the obligations in accordance with the Agency Agreement referred to in the provisions of this Agreement, and not take or permit to be taken any action which would prevent or interfere with such performance; and

(c) cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 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:

(a) carry out the Project in accordance with the Project Operational Manual and the Implementation Program set forth in Schedule 5 to this Agreement; and

(b) through MOF and RHM, enter into an agency agreement with BEA (the Agency Agreement), on such terms as shall be acceptable to the Bank, which shall include terms specifying the responsibilities of BEA in respect of procurement, financial management and disbursement aspects of Project implementation.

Section 3.03. Except as the Borrower and the Bank shall otherwise agree, procurement of the goods, works, technical services, consultants' services and training 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, as said provisions may be further elaborated in the Procurement Plan. The Borrower, in accordance with the established procedure, shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.04. For the purposes of Section 9.07 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's objectives; and

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

## **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, or cause to be prepared, financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall cause BEA to:

(i) have the records, accounts and financial statements (balance sheets, statements of income and expenses of funds and related statements), including those for the Special Account, for each fiscal year audited, in accordance with consistently applied



auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may 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 cause BEA to:

- (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 audit for each fiscal year, 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.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section B of Schedule 5 to this Agreement, the Borrower shall

cause BEA to prepare and furnish to the Bank a financial monitoring report (Financial Monitoring Report, or FMR), in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Bank**

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

- (a) BEA shall have failed to perform any of its obligations under the Agency Agreement;
- (b) the Agency Agreement or the Project Operational Manual, or any provision thereof, shall have been amended, suspended, abrogated, repealed or waived in such a way as to materially and adversely affect the carrying out of the Project; and
- (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 BEA will be able to perform its obligations under the Agency Agreement.

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

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any of the events specified in paragraph (b) or (c) of Section 5.01 of this Agreement shall occur.

## **ARTICLE VI**

### **Effective Date; Termination**

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that the Agency Agreement has been entered into between the MOF, RHM and BEA:

Section 6.02. 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 VII**

### **Representative of the Borrower; Addresses**

Section 7.01. The Minister of Finance 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 of the Russian Federation  
Ilyinka Street 9  
103097 Moscow  
Russian Federation

Telex:

112008

Facsimile:

+7-095-925-0889

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)

Facsimile:

+1-202- 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Moscow, Russian Federation, as of the day and year first above written.

RUSSIAN FEDERATION

By /s/ Alexander I. Bedritsky

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kristalina Georgieva

Authorized Representative

## 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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Goods, including inland transportation and related insurance, and technical services	66,200,000	60%
(2) Works	5,250,000	60%
(3) Consultants' services	3,450,000	60%
(4) Training	1,640,000	60%
(5) Capacity Building Program Payments	620,000	60%
(6) Operating costs	<u>2,840,000</u>	60%
TOTAL	<u>80,000,000</u>	

2. For the purposes of this Schedule:

(a) the term "operating costs" means reasonable incremental costs associated with the administration of the BEA, including: staff salaries, social charges, training, including study tours and seminars, office rent and utilities, transportation, maintenance and minor refurbishing of office and equipment, office equipment, furniture, materials and supplies, communication costs, support for information systems, translation expenses, bank charges, and travel, accommodation, and per diem costs of BEA staff directly associated with implementation of Project activities;

(b) the term “training” means Project related costs and expenses incurred in connection with study tours, seminars, workshops, and other training activities not included under a goods, construction, or other service provider’s contract; and shall include travel, accommodation and subsistence costs for the representatives of ministries, administrations, and other relevant bodies on the federal and/or regional levels involved in the implementation of the Project; and

(c) the term “Capacity Building Program Payments” means payments authorized in accordance with the Capacity Building Program Manual.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$350,000, may be made in respect of Category (6) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after January 1, 2005; (b) any expenditures under any Category in the table in paragraph 1 above, unless the Bank has received payment in full of the front-end fee referred to in Section 2.04 of this Agreement; and (c) any amounts paid for Capacity Building Program Payments in respect of Category (5) of paragraph 1 above, until the Capacity Building Program Manual shall have been adopted by Project Management Committee, satisfactory to the Bank, in accordance with the provisions of Section C of Schedule 5 to this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for: (a) all operational costs; (b) payments from Capacity Building Program; and (c) for expenditures under contracts for goods, works, services, training not subject to the Bank’s prior preview, as stipulated in Section V of the Schedule 4 to this Agreement.

## **SCHEDULE 2**

### **Description of the Project**

The objectives of the Project are to: (i) improve RHM's capacity to provide meteorological and hydrological services and assure their effective and timely delivery to the Government and the public; and (ii) mitigate environmental risks to life and the economy from unfavorable weather conditions.

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: Modernization of Computing, Archiving and Telecommunications Facilities

Provision of goods, works and services and training for:

1. upgrading of RHM's weather and hydrological forecasting capacity, including provision of equipment for computing, archiving and retrieval of data, and communications infrastructure;
2. contribution to the Borrower's forecasting capability comprising the Borrower's agreed contribution to the United Nations World Meteorological Organization's global meteorological system.

#### Part B: Upgrading of the Observation Networks

Provision of goods, services and training to upgrade the instrumentation of RHM's data gathering facilities (surface meteorological and hydrological observations, upper-air sounding stations, meteorological radars, satellite ground data reception, regional hydrometeorological centers, climate change monitoring activities) to ensure high quality forecasts and long term climate change analysis.

#### Part C: Institutional Strengthening, Improvements in the Dissemination of Information and Emergency Preparedness

Provision of goods, consulting services and training to improve RHM's delivery of services, responsiveness to natural disasters, and institutional strengthening to make RHM a more viable, vibrant and client-oriented agency.

Part D: Project Management, Training, and Monitoring and Evaluation

Provision of goods, consultants services, training, and operating costs to RHM and BEA to support project implementation management and project audit.

\* \* \*

The Project is expected to be completed by March 31, 2010.



**SCHEDULE 3**

**Amortization Schedule**

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)</u>
On each April 15 and October 15 beginning October 15, 2010 through October 15, 2021	3,335,000
On April 15, 2022	3,295,000

## **SCHEDULE 4**

### **Procurement**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines or the Consultant Guidelines, as the case may be.

#### Section II. Particular Methods of Procurement of Goods, Works and Technical Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts for goods and works shall be awarded on the basis of International Competitive Bidding.

The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of this Part A.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.55 and 2.56 of the Guidelines and Appendix 2 thereto may be applied to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. Works estimated to cost less than \$2,000,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions set forth in the Annex 1 to this Schedule.

2. Shopping. Goods and works estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods which the Bank agrees meet the requirements for Direct Contracting may, with the Bank's prior review and no objection, be procured in accordance with the provisions of said procurement method.

Section III. Other (Logistic) Services

When appropriate, a firm will be selected to provide logistic services in respect of training upon comparison of three price quotations presented by suitably qualified local contractors under agreed procedures. Individual contract values will normally not exceed the equivalent of \$50,000. Larger contracts estimated to cost more than \$50,000 will be advertised nationally or internationally and bids for such contracts will be invited.

Section IV. Particular Methods for Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

B: Other Procedures for the Selection of Consultants

1. Least-cost Selection. Services for an auditor to conduct the financial auditing statements of the Project estimated to cost less than \$100,000 may be procured under contracts awarded on the basis of lowest cost in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Quality-based Selection. Services for assignments which the Bank agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under a contract awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, in particular those related to detailed design of meteorological, hydrological or related networks may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. Eligibility of Government Owned Scientific Research Institutes. Short lists for assignments to be procured under the provisions of Parts B.2 or B.3 of this Section may, with the prior agreement of the Bank, include, or be entirely composed of, suitable government-owned entities (scientific and research institutes including entities within the RHM organizational structure), up to an aggregate amount not to exceed \$250,000, and subject to the proviso that no entity may appear on a shortlist for any assignment where it is the direct beneficiary of the outputs of the assignment.

6. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines, may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to any prior approval by the Bank as may be indicated in the Procurement Plan.

#### Section V. 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. If the Procurement Plan provides for prior review of contracts for the employment of individual consultants, the record of justification for such contracts, referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines, shall be subject to Prior Review by the Bank. All other contracts shall be subject to Post Review by the Bank.

**ANNEX 1  
TO  
SCHEDULE 4**

**Mandatory Provisions for Procurement under  
Bank-Financed Contracts Subject to National Competitive Bidding**

Contracts for goods or works for which Schedule 4 to the Loan Agreement allows procurement under paragraphs 3.3 and 3.4 of the Procurement Guidelines may be procured in accordance with the provisions of national laws and regulations. In order to assure economy, efficiency, transparency and broad consistency with the provisions in Section I of the Procurement Guidelines, the national procurement provisions shall be modified as set forth in the following paragraphs.

**Eligibility**

1. No restrictions in respect of eligibility to participate in bidding for contracts shall be placed on the basis of nationality of bidder and/or origin of goods other than those imposed by primary boycotts.
2. Eligibility for foreign firms to participate in bidding shall not be based on requirements to joint-venture with national firms.
3. Bidders shall only be required to register for bidding provided that registration requirements and process are simple and non-discriminatory and otherwise qualified foreign bidders are not excluded from participating.
4. No preference shall be accorded to bidders on the basis of place of registration, ownership, small size, etc. No restrictions shall be imposed in terms of source of labor, material or equipment.
5. Government-owned entities shall be eligible to participate in bidding for contracts if they can establish that they are legally and financial autonomous, operate under commercial law and are not a dependant agency of the purchaser or the contractor.

**Standard Bidding Documents**

6. Until a modified versions of the Borrower's standard bidding document has been approved for use by the Bank, the Bank's own standard bidding document shall be used.

### **Advertising Bidding Opportunities; Time for Bid Preparation**

7. Bidding opportunities shall be advertised in national press of wide circulation. Prospective bidders shall be allowed at least thirty (30) days for bid preparation and submission of bids (excepting contracts for readily available off-the-shelves goods or standard specification commodities or small value works).

8. The opportunity to pre-qualify for procurements involving large or complex contracts shall be advertised.

9. Minimum experience, technical and financial requirements (for pre- or post qualification) shall be explicitly stated in the bidding documents and only criteria so specified shall be used to determine whether a bidder is qualified to bid. Bids by bidders which are deemed not qualified to bid shall not be further considered and shall be rejected.

### **Bid Opening**

10. Bids shall be opened immediately after the deadline for bid submission and in the presence of bidders who wish to attend. Bids received after the deadline shall not be considered and shall be returned unopened.

### **Rebidding**

11. Rebidding shall not necessarily be required if only one bid has been received provided that the bid received is responsive, bid price is acceptable and bidder is deemed capable of performing the contract.

### **Bid Evaluation**

12. Evaluation criteria shall be clearly specified in the bidding documents and evaluation criteria other than price shall be expressed in monetary terms. Only criteria so specified shall be used in bid evaluation. Merit points shall not be used in evaluations of bids for goods and works contracts.

13. Bid evaluations shall be confidential and bidders shall not be allowed to be present during evaluation. No information relating to the evaluation shall be disclosed to any bidder until the successful bidder has been notified of contract award.

14. Bids containing material deviations from technical specifications and/or material reservations to the terms or conditions of the bidding documents shall be rejected as “substantially not responsive”. Bidders shall not be requested or permitted to withdraw material deviations or reservations once bids have been opened.

15. Evaluations shall be made in strict adherence to the criteria specified in the bid documents and no other criteria than those specified in the bidding documents shall be applied. Contract shall be awarded the lowest evaluated qualified and responsive bidder.

16. There shall be no negotiations of price or substance with “winning” bidders prior to contract award.

## **SCHEDULE 5**

### **Implementation Program**

#### **A. Overall Management and Implementation of the Project**

1. RHM shall be responsible for overall management and implementation of the Project.

2. RHM shall maintain the Project Management Committee for preparation and implementation of the Project comprising the Chairman of Committee (the Head of RHM), two Deputy Chairmen, technical coordinators and specialists, senior officials from RHM, and also from the Ministry of Finance and the Ministry of Economic Development and Trade and BEA of the Borrower. The Chairman of the Committee will have overall responsibility for project management, including approval of action plans, major activities and budget. The Deputy Chairmen and Technical Project Coordinators will be responsible for making operational decisions, including management of equipment procurement and installation, technical reviews, resolution of issues and supervision of activities.

3. BEA shall be responsible for procurement, financial management and disbursement aspects of implementation, including operation of the Special Account, claims for Special Account replenishment, and claims for disbursements of loan proceeds directly from the Bank.

4. The RHM shall ensure that additional Project Coordinators are based in Obninsk, Novosibirsk, Khabarovsk and other regional implementation centers. Project Coordinators will oversee and coordinate regional project implementation activities.

5. The Borrower shall ensure that, until the completion of the Project, BEA and regional Project Coordinators at all times function in a manner, and with staff, consultants, facilities and other resources necessary for the satisfactory management and implementation of the Project.

#### **B. Annual Reports and Work Program**

The Borrower shall cause BEA to provide to the Bank, by April 1 of each year throughout the execution of the Project, an annual report on the progress of the project implementation, of such scope and in such detail as the Bank shall reasonably request, including a draft annual work program for the following year.



C. Capacity Building Program under Part A of the Project

The Borrower shall ensure that: (a) RHM shall adopt a manual (the Capacity Building Program Manual), satisfactory to the Bank, providing for the targeted use of funds and conditions for payments to highly qualified experts in respect of the Project activities to be supported by the Capacity Building Program; and (b) RHM shall carry out the Capacity Building Program activities in accordance with the Capacity Building Program Manual.

D. Counterpart Funding Requirements for the Project

Without limitation upon any of its obligations under Section 3.01 of the Agreement, the Borrower shall ensure that sufficient annual allocations will be made in the Borrower's budget for the Borrower's counterpart contribution to the costs of the Project.

E. Monitoring and Evaluation

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an annual 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 satisfactory to the Bank, and furnish to the Bank, on or about May 1, 2008, 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;

(c) review with the Bank, by September 15, 2008, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, 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's views on the matter; and

(d) cause BEA to submit to the Bank on a semi-annual basis project progress reports for its review and approval.

## **SCHEDULE 6**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1) through (6) 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, services, training and operating costs 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 the amount of \$2,000,000 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 the amount of \$1,000,000 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 \$10,000,000.
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 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, 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 sub-paragraphs (a), (b) and (c) of paragraph 6 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.