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**LOAN NUMBER 4888 RU**

# **Loan Agreement**

**(Housing and Communal Services Project)**

**between**

**RUSSIAN FEDERATION**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated September 16, 2009**

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**LOAN NUMBER 4888 RU**

**LOAN AGREEMENT**

Agreement dated September 16, 2009, between RUSSIAN FEDERATION (“Borrower”) 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 the Loan 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 two hundred millions dollars (\$200,000,000) (“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 sixty (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 LIBOR for the Loan Currency plus the Variable Spread. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are June 15 and December 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.

### **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 through the MORD 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 - REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following:
  - (a) The Project Implementation Agreement, or any provision thereof, shall have been amended, suspended, abrogated, repealed or waived in such a way as to materially and adversely affect the ability of the Borrower or the PIU to carry out the Project; and
  - (b) The PIU shall have failed to perform any of its obligations under the Project Implementation Agreement.
- 4.02. The Additional Event of Acceleration consists of the following: any event specified in paragraphs (a) and (b) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

### **ARTICLE V - EFFECTIVENESS**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Borrower has selected Participating Cities for the Project on the basis of a selection methodology satisfactory to the Bank.
  - (b) The Project Implementation Agreement, satisfactory to the Bank, has been executed on behalf of the Borrower, represented by the MOF and the MORD, and the PIU.
  - (c) The Operational Manual satisfactory to the Bank has been adopted by the Borrower.

- 5.02. The Additional Legal Matter consists of the following: the Project Implementation Agreement, satisfactory to the Bank, has been executed between the Borrower, represented by the MOF and the MORD, and the PIU and is legally binding upon the Borrower and the PIU in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE VI - REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is the Minister of Finance of the Borrower, or any other person authorized by the Minister of Finance in writing.
- 6.02. The Borrower's Address is:

Ministry of Finance of the Russian Federation  
Ilyinka Street 9  
109097 Moscow  
Russian Federation

Telex:	Facsimile:
112008	(7-495) 925-0889

- 6.03. 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 Moscow, Russian Federation, as of the day and year first above written.

RUSSIAN FEDERATION

By: /s/ Victor F. Basargin  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Klaus Rowland  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve the quality and financial viability of the Housing and Communal Services of the Participating Cities.

The Project consists of the following parts:

#### Component A: Support to HCS reforms implementation at the federal level

- (a) Development of a legal and regulatory framework for HCS reforms implementation and provision of Training at the federal level.
- (b) Establishment of a national HCS monitoring system on a pilot basis.
- (c) Dissemination of the Project results to non-participating cities and regions.

#### Component B: Support to the Participating Cities with HCS reforms implementation

- (a) Provision of technical assistance and Training on utility reform, social protection and housing.
- (b) Evaluation of the implementation of municipal reform programs.
- (c) Knowledge sharing between the Participating Cities through capacity building events and written knowledge products.
- (d) Implementation of a public awareness campaign on HCS reforms.

#### Component C: Assistance with preparation and implementation of HSC investment plans

- (a) Preparation of municipal investment plans by the Participating Cities, including feasibility studies and technical designs.
- (b) Financing of investment plans of the Selected Cities.
- (c) Supervision of implementation of investment plans of the Selected Cities.

Component D Project management and monitoring

(a) Provision of technical assistance to MORD for project implementation, monitoring and evaluation.

(b) Financing of Operating Costs.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Other Arrangements**

1. At all times during the implementation of the Project, the Borrower shall maintain the IAWG with a composition, resources and terms of reference satisfactory to the Bank.
2. The Borrower shall ensure that, until the completion of the Project, the PIU at all times functions in a manner, and with staff, consultants, facilities and other resources necessary for the management and implementation of the Project, all satisfactory to the Bank.
3. The Borrower, through the MORD and with the assistance of the PIU, shall carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual and shall not revise or amend any provisions of the Operational Manual without prior approval of the Bank.
4. The Borrower shall take, or cause to be taken, all measures necessary for the carrying out of the EMP in a timely manner and shall ensure that investment plans of the Selected Cities to be financed under Component C (b) of the Project are prepared in full compliance with the EMP and according to environmental requirements and procedures set forth in the Operational Manual.

#### **Section II. Project Monitoring, Reporting, 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 indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, 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 un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.



3. The Borrower shall have its Financial Statements 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 first and final audit may cover a period of up to eighteen (18) months. 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 Schedule.

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 Schedule.

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**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2
(b) Shopping
(c) Direct Contracting
(d) Agreed procedures for organization of Training

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Quality-Based Selection
(b) Selection Under a Fixed Budget
(c) Least Cost Selection
(d) Selection Based on Consultant's Qualifications
(e) Single-Source Selection
(f) Selection of Individual Consultants

**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 may 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.

<b>Category</b>	<b>Amount of the Loan Allocated (Expressed in USD)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Goods, Works, Consultants’ Services and Training for the Project except for Component C (b) of the Project	21,000,000	78%
(2) Goods, Works and Consultants’ Services for Component C (b) of the Project	175,000,000	100%
(3) Operating Costs	4,000,000	100%
<b>TOTAL AMOUNT</b>	<u><b>200,000,000</b></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, except that withdrawals up to an aggregate amount not to exceed \$1,500,000 equivalent may be made for payments made prior to this date but on or after July 1, 2007, for Eligible Expenditures under Categories (1) and (3).

2. The Closing Date is June 1, 2014.

**ANNEX  
to  
SCHEDULE 2**

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

Contracts for goods or works for which Part B of Section III of Schedule 2 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 of the Borrower. In order to assure economy, efficiency, transparency and broad consistency with the provisions in Section I of the Procurement Guidelines, and in order to be acceptable to the Bank, the national procurement provisions shall comply with the provisions of the following paragraphs of this Annex.

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 version 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 3****Amortization Schedule**

<u>Principal Payment Date</u>	<u>Principal Amount of the Loan Payable (Expressed in USD*)</u>
On each June 15 and December 15  beginning June 15, 2013 through December 15, 2022	10,000,000

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\* The figures in this column represent the amount in USD to be repaid, except as provided in Section 3.10 of the General Conditions.



**APPENDIX****Definitions**

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “EMP” means the framework environmental management plan, satisfactory to the Bank, adopted by the Borrower and submitted to the Bank on October 6, 2006, setting forth measures to monitor and mitigate any adverse impacts to the environment.
4. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through October 17, 2007).
5. “HCS” means housing and communal services.
6. “IAWG” means the Interagency Working Group established by the Borrower for the purposes of paragraph 1 of Section I of Schedule 2 to this Agreement, or any successor thereto.
7. “MOF” means the Ministry of Finance of the Borrower or any successor thereto.
8. “MORD” means the Ministry of Regional Development of the Borrower or any successor thereto.
9. “Operating Costs” means incremental operating costs incurred by the PIU on account of Project implementation, management and monitoring, including staff salaries and consultancy costs, social charges, Project and PIU audit, training, conferences and seminars, dissemination of Project related information, office rent and utilities, office equipment and supplies, office and equipment insurance, maintenance and repair, vehicle maintenance and repair, travel, communication, translation and interpretation, bank charges, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Bank.
10. “Operational Manual” means the project operational manual satisfactory to the Bank and adopted by the Borrower pursuant to Section 5.01 (c) of this Agreement.

11. “PIU” means an entity with staff, resources and terms of reference satisfactory to the Bank and selected by the Borrower for the purposes of day to day assistance to the MORD in Project management and implementation and which is the party to the Project Implementation Agreement.
12. “Participating Cities” means jointly up to fourteen cities of the Borrower competitively selected by IAWG for participation in the Project and include ten Selected Cities (as defined hereinafter) and up to four reserve cities which can be converted into the Selected Cities by a decision of IAWG if needed. “Participating City” means any of these cities.
13. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
14. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 24, 2007 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.
15. “Project Implementation Agreement” means an agreement to be entered into between the Borrower, represented by the MOF and the MORD, and the PIU pursuant to Section 5.01 (b) of this Agreement.
16. “Selected Cities” means jointly the ten cities selected by IAWG from the Participating Cities for the purposes of Component C (b) of the Project and which shall enter into an agreement with the MORD for the purposes of implementation of their investment plans under Component C (b) of the Project. “Selected City” means any of these cities.
17. “Training” means Project related study tours, training courses, seminars, workshops and other training activities for federal and municipal public servants and HCS sector workers, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers and trainers’ fees, and other training related miscellaneous costs.