

CONFORMED COPY

LOAN NUMBER 4547 UZ

Loan Agreement

(Urban Transport Project)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 5, 2000

LOAN NUMBER 4547 UZ

LOAN AGREEMENT

AGREEMENT, dated June 5, 2000, between the REPUBLIC OF UZBEKISTAN (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) Part D of the Project will be carried out by the Borrower through the Uzbek Agency for Automobile and River Transport and Parts A, B, C and E of the Project will be carried out by Uzavtotrans (as defined in Section 1.02 of this Agreement) with the Borrower's assistance and, as part of such assistance, the Borrower will make the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to Uzavtotrans, as set forth in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in

this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997) with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, is modified to read:

"`Euro', and `EUR' each means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union."

(b) A new paragraph (d) is added to Section 3.04 to read:

"If the Bank shall at any time receive less than the full amount then due and payable to it under the Loan Agreement, the Bank shall have the right to allocate and apply the amount so received in any manner and for such purposes under the Loan Agreement as the Bank shall in its sole discretion determine."

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) "Participating City" means any of the following cities: Almalyk, Bukhara, Namangan, Nukus and Samarkand; and "Participating Cities" means, collectively, all these cities.

(b) "PIU" means a Project Implementation Unit referred to in paragraph 2 of Schedule 5 to this Agreement or any successor thereto.

(c) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement.

(d) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank on November 14, 1997, and on behalf of the Borrower on December 10, 1997.

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

(f) "Subloan" means a loan made by the Borrower to Uzavtotrans under Subsidiary Loan Agreement.

(g) "Subsidiary Loan Agreement" means the agreement entered into between the Borrower and Uzavtotrans pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time; and such term includes all schedules to the Subsidiary Loan Agreement.

(h) "UAART" means Uzbek Agency for Automobile and River Transport or any successor thereto.

(i) "Uzavtotrans" means the Uzbek Joint-Stock Corporation for Automobile Transport established pursuant to the Decree of the President of the Republic of Uzbekistan No. YP-538, dated January 8, 1993, or any successor thereto.

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

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 twenty-nine million Dollars (\$29,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may, for the purposes of the Project open and maintain in Dollars a separate special deposit account in a 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.

(c) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2004, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a fee in the amount of two hundred ninety thousand Dollars (\$290,000). On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the

first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

- (ii) "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%); (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. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out Parts A, B, C and E of the Project through Uzavtotrans, and Part D of the Project through UAART, with due diligence and efficiency and in conformity with appropriate public transport, administrative, technical, financial and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the

Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) For the purposes of Parts A, B, C and E of the Project the Borrower shall make the proceeds of the Loan allocated from time to time to categories (1)(a), (1) (b), (1) (d), (2)(a), (2) (c) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement available to Uzavtotrans under a subsidiary loan agreement to be entered into between the Borrower and Uzavtotrans, under terms and conditions which shall have been approved by the Bank which shall include, but not be limited to, terms and conditions set forth in Schedule 5 to this Agreement.

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

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

Section 3.03. 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 for the future operation of the Project; 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 financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank 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 Project Management Reports or statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one (1) year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or 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 provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than June 30, 2001, or such later date as the Bank shall agree, to prepare semi-annual Project Management Reports, acceptable to the Bank, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines

acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each six (6) calendar months a Project Management Report for such period.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause Uzavtotrans:

(a) to take out and maintain with responsible insurers, or to make other provision satisfactory to the Bank for, insurance of new buses procured under this Project against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on its operations and conduct its affairs in accordance with sound urban transport, administrative, technical, financial and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, urban transport, financial and environmental practices.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and Uzavtotrans;

(b) PIU has been established within Uzavtotrans with structure, functions and staffing satisfactory to the Bank; and

(c) independent auditors, acceptable to the Bank, have been selected for the purposes of Section 4.01 (b) for the first year of the Project implementation.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Uzavtotrans and is legally binding upon the Borrower and Uzavtotrans in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

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

Conditions.

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

For the Borrower:

Ministry of Finance
Mustakillik Square 5
Tashkent 700078
Republic of Uzbekistan

Telex:

Facsimile:

116360 IKBOL

(998-71)

133-6361

For the Bank:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD 248423 (MCI) or
Washington, D.C. 64145 (MCI)

(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 the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF UZBEKISTAN

By /s/ S. Safayev

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kiyoshi Kodera

Acting Regional Vice President
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each

Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Goods		
(a) for Part A (1) of the Project	19,900,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(b) for Parts A (2), B and C of the Project	3,800,000	
(c) for Part D of the Project	80,000	
(d) for Part E of the Project	50,000	
(2) Consultants' services and training		100%
(a) for Parts A, B and C of the Project	1,000,000	
(b) for Part D of the Project	200,000	
(c) for Part E of the Project	300,000	
(3) Incremental operating costs	200,000	100%
(4) Refunding of Project Preparation Advance	500,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(5) Fee	290,000	Amount due under Section 2.04 of this Agreement
(6) Unallocated	2,680,000	
TOTAL	29,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental operating costs" means operating expenses of PIU which would not have been incurred absent the Project including, but without limitation, expenses in respect of its local staff salaries, other than civil

servants' salaries, office rental and furniture, utility services, travel, audit of Project accounts, operation and maintenance of office equipment, and consumable office supplies, based upon an annual budget acceptable to the Bank.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments: (a) made for expenditures prior to the date of this Agreement; and (b) under Category (1) (a), unless the Borrower has: (i) prepared a manual of operational and financial policies and procedures; and (ii) established a financial management system with respect to the leasing scheme under Part A(2) of the Project; both acceptable to the Bank.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$100,000 equivalent each; (b) services under contracts costing less than \$100,000 equivalent each for consulting firms and less than \$20,000 equivalent each for individual consultants; and (c) training and incremental operating costs, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve the quality, efficiency and sustainability of urban passenger transport services in Participating Cities.

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 objective:

Part A: Provision of New Buses and Establishment of a Leasing Scheme

(1) Acquisition of approximately 350 new buses to strengthen bus fleets of the Participating Cities.

(2) Establishment of the leasing scheme and procedures to lease new buses procured under this Project to private and state-owned operators in the Participating Cities, including setting up of maintenance centers.

(3) Technical assistance for preparation of a plan for privatization of the new buses procured under the Project and bus leasing operations in the Participating Cities.

Part B: Rehabilitation and Repair of Existing Buses

Rehabilitation, repair and overhaul of approximately 250 buses, including provision of spare parts and necessary materials.

Part C: Strengthening of Urban Transport Operators

Provision of technical assistance, training and equipment to private and state-owned transport operators in the Participating Cities to: (i) improve their financial, management and vehicle maintenance capabilities; and (ii) design and implement measures to improve their environmental practices, in particular the recycling of used materials and safe disposal of wastes.

Part D: Improvement of the Institutional, Financial and Regulatory Framework for Urban Transport Services

Provision of technical assistance, training, office equipment and software to help the Borrower: (i) to improve urban transport policies and regulations; (ii) to assist the Participating Cities' administrations in management of urban transport; (iii) to monitor developments in the sector; (iv) to improve the capabilities of the Participating Cities' transport departments in their activities, in particular to collect data, plan urban transport investments, design bus routes, administer and supervise the franchising system, and improve fare policy; and (v) to assess the urban transport needs of the population of the Participating Cities.

Part E: Project Management

Project implementation support for the PIU through provision of technical assistance, training, equipment, software, and financing of incremental operating costs.

* * *

The Project is expected to be completed by June 30, 2004.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)**
October 15, 2005	585,000
April 15, 2006	605,000
October 15, 2006	625,000
April 15, 2007	645,000
October 15, 2007	665,000
April 15, 2008	685,000
October 15, 2008	710,000
April 15, 2009	730,000
October 15, 2009	755,000
April 15, 2010	780,000
October 15, 2010	805,000
April 15, 2011	830,000
October 15, 2011	860,000
April 15, 2012	885,000
October 15, 2012	915,000
April 15, 2013	945,000
October 15, 2013	975,000
April 15, 2014	1,010,000
October 15, 2014	1,040,000
April 15, 2015	1,075,000
October 15, 2015	1,110,000
April 15, 2016	1,145,000
October 15, 2016	1,185,000
April 15, 2017	1,220,000
October 15, 2017	1,260,000
April 15, 2018	1,305,000
October 15, 2018	1,345,000
April 15, 2019	1,390,000
October 15, 2019	1,435,000
April 15, 2020	1,480,000

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

SCHEDULE 4

Procurement

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

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

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

Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$500,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods which must be purchased from the original supplier to be compatible with existing equipment or are of a proprietary nature and costing \$500,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its

review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

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

(b) With respect to: (i) the first contract to be procured in accordance with the procedures referred to in Part C.1 above; (ii) the first contract to be procured in accordance with the procedures referred to in Part C.2 above; and (iii) contracts to be procured in accordance with the procedures referred to in Part C.3 above, the following procedures shall apply:

- (i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under direct contracting or shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services of consulting firms estimated to cost less than \$100,000 equivalent per contract up to an aggregate amount not to exceed \$200,000

equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, estimated to cost less than \$50,000 equivalent per contract up to an aggregate amount not to exceed \$200,000 equivalent, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$20,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

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

SCHEDULE 5

Implementation Program

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives

thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about February 28, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by May 31, 2002, 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.

2. The Borrower shall establish within Uzavtotrans and maintain during the entire life of the Project a Project Implementation Unit with funds, facilities and resources, including qualified and experienced staff, necessary, as may be deemed by the Bank, for successful implementation of the Project.

3. The Subsidiary Loan Agreement to be entered into between the Borrower and Uzavtotrans pursuant to Section 3.01(c) of this Agreement shall include, but not limited to, the following:

(a) The Borrower shall provide to Uzavtotrans a Subloan in Dollars in the amount equal to the total equivalent amount of the proceeds of the Loan allocated from time to time to categories (1)(a), (1)(b), (1)(d) and (2)(a), (2)(c) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) The principal amount of the Subloan shall be repaid by Uzavtotrans to the Borrower in Dollars in equal semi-annual installments over ten (10) years, including a grace period of twenty four (24) months.

(c) The principal amount of the Subloan repayable by Uzavtotrans shall be the equivalent of the amount withdrawn from the Loan Account in respect of categories (1)(a), (1)(b), (1)(d), (2)(a), (2)(c) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(d) Interest shall be charged in Dollars on the principal amount of the Subloan withdrawn and outstanding from time to time at a rate equal to the rate payable by the Borrower from time to time pursuant to Section 2.06 of this Agreement.

(e) Uzavtotrans shall pay to the Borrower a fee in an amount equal to one percent (1%) of the amount of Subloan promptly after effectiveness of the Subsidiary Loan Agreement.

(f) Uzavtotrans shall pay to the Borrower a commitment charge on the principal amount of the Subloan not withdrawn from time to time at a rate equal to the rate payable by the Borrower pursuant to Section 2.05 of this Agreement.

4. The Borrower shall cause the buses acquired under Part A of the Project: (a) to be leased to private and State-owned transport operators in accordance with operational and financial policies and procedures acceptable to the Bank; and (b) to be maintained by an independent experienced vehicle maintenance enterprise/enterprises in accordance with a maintenance contract acceptable to

the Bank.

5. The Borrower shall provide all necessary authorizations to the vehicle maintenance enterprise/enterprises referred to in paragraph 4 above for import of goods necessary for maintenance of the buses acquired under Part A of the Project during the post-warranty period.

6. The Borrower shall cause Uzavotrans to: (a) prepare not later than by December 31, 2000, an Environmental Management Plan, acceptable for the Bank, and take actions for the implementation of this plan under a timeframe agreed with the Bank; and (b) afford the Bank an opportunity to conduct effective supervision and monitoring of the implementation of this plan.

7. The Borrower shall cause Uzavotrans: (a) to have the leasing scheme established under Part A(2) of the Project periodically reviewed by a consultant, acceptable to the Bank, every six (6) months during the first two years of leasing operations and every year thereafter; and (b) to furnish to the Bank as soon as available, but in any case not later than two (2) months after the end of each such period, a report of such consultant with an assessment of the leasing scheme, of such scope and in such detail as the Bank shall have reasonably requested.

8. Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall cause Uzavotrans to have financial statements related to the bus leasing operations under Part A(2) of the Project audited every six (6) months during the first two years of the Project implementation and every year thereafter by independent auditors acceptable to the Bank.

9. The Borrower shall cause UAART to: (a) have the urban bus route franchising system in the Participating Cities annually reviewed not later than by November 30, of each calendar year of the Project implementation starting with year 2000, in respect of its technical and economic efficiency; (b) afford the Bank an opportunity to discuss the result of such review with the Borrower; and (c) based on the discussion with the Bank issue as soon as possible, but in any case not later than by March 31 of the following year, instructions, acceptable to the Bank, to the City Commissions on Urban Transport of the Participating Cities designed to improve the methodology for evaluation of bids for bus route franchises, the terms of the bus route franchise contracts, and procedures for supervision of the bus route franchise contracts.

10. The Borrower shall prepare not later than by December 31, 2003, a plan, acceptable to the Bank, for privatization of the new buses and bus leasing operations under this Project in the Participating Cities and take actions for the implementation of this plan under a timeframe agreed with the Bank.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1, 2 and 3 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to

\$400,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$200,000 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 \$7,500,000.

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 paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement.
