

CONFORMED COPY

LOAN NUMBER 3756 RU

Loan Agreement

(Land Reform Implementation Support Project)

between

RUSSIAN FEDERATION

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 22, 1994

LOAN NUMBER 3756 RU

LOAN AGREEMENT

AGREEMENT, dated June 22, 1994, between THE 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, 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" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this

Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of 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) "Registration Procedures" means the regulations and procedures specified in Schedule 5, Part VI to this Agreement;

(b) "Project Account" means the account referred to in Section 3.03 of this Agreement;

(c) "PDU" means the project development unit referred to in Section 3.02 (b) of this Agreement;

(d) "RosNITs' Zemlya'" means the Russian Center for Scientific Support of Land Reform under the SLC;

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

(f) "SLC" means the Borrower's State Committee on Land Resources and Land Management, or any successor thereto; and

(g) "VISKhAGI" means the All-Russian Institute for Agricultural Aerophotogeodetic Research under SLC.

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, various currencies that shall have an aggregate value equivalent to the amount of eighty million dollars (\$80,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

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

Section 2.03. The Closing Date shall be June 30, 2000, 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 commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (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 the Cost of Qualified Borrowings

determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part A of the Project through RosNITs "Zemlya" and VISKhAGI, and Parts B and C of the Project through SLC and RosNITs "Zemlya", all with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project (including, inter alia, the funds referred to in Section 3.03 (b) of this Agreement, and those required to meet all operational and maintenance costs not financed out of the Loan).

(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.

Section 3.02. In order to facilitate the efficient carrying out of the Project, the Borrower shall establish and thereafter maintain, with membership, staff and other resources and terms of reference satisfactory to the Bank:

(a) an interagency project coordination committee (PCC), reporting to the Chairman of SLC, to monitor progress of project implementation and help expedite project implementation by resolving any critical issues that might involve other ministries or agencies; to assist in the identification of critical policy issues relating to land reform; and to establish priorities for the preparation of development projects in the area of land reform that might require external financing; and

(b) a project development unit (PDU) within RosNITs "Zemlya", to coordinate the management and day-to-day implementation of the Project.

Section 3.03. Without limitation to the provisions of Section 3.01 (a) of this Agreement, the Borrower shall, for purposes of the Project:

(a) open and maintain in a commercial bank an account (the Project Account), in local currency, to be used for ensuring a secure source of financing for the expenditures required to be made by SLC related to its operations in conjunction with the implementation of the Project and the establishment and maintenance of the necessary facilities for the carrying out of the Project, including for the operation of regional branches of SLC in participating regions; and

(b) for each fiscal year during the execution of the Project, make appropriate budgetary allocations to replenish such Project Account and ensure availability of adequate resources for the financing of expenditures by SLC during the coming fiscal year, in an amount satisfactory to the Bank.

Section 3.04. The Borrower shall carry out, or cause to be carried out, the plan of action referred to in paragraph IV.4 of Schedule 5 to this Agreement, regarding the mechanisms for ensuring adherence by participating oblast administrations to agreed principles of cooperation for their participation in the Project.

Section 3.05. Except as the Bank shall otherwise agree, procurement of the goods 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 3.06. (a) Without limitation to the provisions of Section 9.07 (a) of the General Conditions, at the end of each six-month period during the execution of the Project, beginning with the period concluding on June 30, 1995, the Borrower, through PDU, shall present to the Bank a progress report on various matters relating to land registration, as measured by appropriate performance indicators. Such reports shall be consolidated into an annual report covering the preceding calendar year, to be presented to the Bank no later than March 31 of each year during the execution of the Project.

(b) The Borrower shall, through SLC and PDU, carry out an annual review of Project implementation to be held in the third quarter of each calendar year during the execution of the Project beginning in 1995. Each such review shall examine, based on the reports referred to in paragraph (a) of this Section, the status of land registration and conclude a plan of action satisfactory to the Bank, including specific goals and projections for Project implementation during the succeeding twelve months. The Borrower shall cause SLC to carry out each such plan of action for the Project during the twelve months following its conclusion pursuant to this Section.

(c) Each such annual review referred to in paragraph (b) of this Section shall also examine SLC's budgetary resources and include, as necessary, a commitment or other arrangements satisfactory to the Bank, for ensuring the fulfillment of the Borrower's obligations pursuant to Section

3.01 (a) of this Agreement, for the fiscal year following.

Section 3.07. (a) The Borrower shall employ cost recovery measures acceptable to the Bank designed to ensure that the recurrent costs of operating its land registration system are recovered out of user fees paid by users of services performed by SLC.

(b) The Borrower shall prepare and implement a schedule of fees acceptable to the Bank to be charged to users for activities carried out by SLC relating to land registration under Part B of the Project, which shall be subject to periodic adjustment by SLC in order to achieve the objectives of the Project, based on the results of the Project implementation reports referred to in Section 3.06 of this Agreement.

Section 3.08. The Borrower shall, by December 31, 1996, complete a feasibility study describing proposals for expanding the cadastre and registration referred to in Part B.1 of the Project to regions not covered by the Project, such study to include the estimated funding requirements for establishing and maintaining such cadastre and registration and analysis of the organization and capacity of the institutions of the Borrower responsible for maintaining such cadastre and registration, and other matters satisfactory to the Bank.

Section 3.09. The Borrower shall:

(a) carry out all technical assistance activities included in the Project under terms of reference satisfactory to the Bank which, when applicable, shall include specific programs or plans of action to meet the objectives of the Project;

(b) promptly after the completion of each technical assistance activity, furnish to the Bank a copy of its findings and recommendations including such programs or plans of action; and

(c) afford the Bank a reasonable opportunity to comment on such findings, recommendations and programs or plans of action.

Section 3.10. Regarding the training programs to be carried out under the Project, the Borrower shall:

(a) furnish to the Bank for approval the content of each of such programs as well as the schedule for its implementation;

(b) select the beneficiaries of such training programs in accordance with criteria satisfactory to the Bank;

(c) not later than September 30 of each year, exchange views with the Bank on the training programs to be carried out in the following calendar year; and

(d) furnish to the Bank a report of such scope and detail as the Bank shall reasonably request, on the results of each training program and the benefits to be derived therefrom.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles 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, the 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 said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and 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 or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely, that the Registration Procedures shall have been amended, suspended, abrogated, repealed or waived, in a manner that materially and adversely affects the Project.

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) suitably qualified persons have been appointed to positions within the PDU, with terms of reference acceptable to the Bank, in the following capacities: procurement, accounting, land cadastral mapping, and land registration management;
- (b) project groups for land registration have been established in four oblasts participating in Part B of the Project, with premises, staffing and terms of reference acceptable to the Bank;
- (c) the Project Account has been opened with an initial deposit of \$500,000 equivalent; and
- (d) issuance of procedures on registration of land and real estate acceptable to the Bank.

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 or Deputy 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
103097 Moscow
Ilyinka, 9
Russian Federation

Telex:

112008

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:

INTBAFRAD	248423 (RCA)
Washington, D.C.	82987 (FTCC)
	64145 (WUI) or
	197688 (TRT)

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.

RUSSIAN FEDERATION

By /s/ Aleksandr N. Shokhin
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Wilfried Thalwitz
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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Goods		100% of foreign expenditures,
(a) Under Part A of the Project	32,000,000	100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(b) Under Parts B and C of the Project	28,000,000	
(2) Consultants' services and training	8,000,000	100%
(3) Unallocated	12,000,000	
TOTAL	80,000,000 =====	

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; and

(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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$500,000, may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after June 1, 1994.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts not exceeding \$50,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to assist the Borrower in introduction of a uniform land registration system consistent with the development of markets in land and real estate and recognition and enhancement of the right to private ownership of land, including the rights to buy and sell, mortgage and lease land, and (ii) to strengthen SLC's capacity to implement and maintain such a system and to issue titles to property owners.

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: Land Cadastre Mapping

Establishment of a unified data format for digital mapping consistent with introduction of the new automated land registration system; and carrying out of a program for upgrading land cadastre mapping capacity in approximately six mapping enterprises, including provision of technical assistance, training, and acquisition of equipment relating thereto.

Part B: Land Registration System

1. Development of an automated juridical cadastre for land and other real estate in approximately ten oblasts comprising approximately 100 rayons, through provision of technical assistance, training, and equipment.

2. Support to registration activity in up to 500 additional rayons through provision of technical assistance, training and equipment.

Part C: Institutional Development of the SLC

Implementation of a program for strengthening the capacity and skills of SLC and associated institutions, including training and study tours, in the areas of land cadastre management and land registration systems, including administration of records relating to land conveyances and transactions involving land as security.

* * *

The Project is expected to be completed by December 31, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each April 1 and October 1	
beginning October 1, 1999 through October 1, 2010	3,335,000
and on April 1, 2011	3,295,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$500,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Russian Federation may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Items or groups of items for goods estimated to cost the equivalent of \$300,000 or less per contract, up to an aggregate amount equivalent to \$1,000,000 may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in

accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods estimated to cost the equivalent of \$300,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, including but not limited to procurement activities, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

SCHEDULE 5

Implementation Program

I. Organization and Management of the Project

A. Organizational Functions

1. SLC shall be responsible for overall project implementation. The Project Development Unit (PDU) shall be responsible for coordinating and managing day-to-day aspects of project implementation.

2. The PDU shall coordinate all work related to budgeting, procurement, disbursement, audit, reporting, monitoring and evaluation. In particular, the PDU shall be responsible for the procurement of goods and consultants under the Project, shall keep project accounts, and shall administer the Special Account. The PDU shall also be responsible for supervising the conduct of equipment servicing and repair for the Project. It shall supervise the foreign training program, the technical assistance component of the Project, and in-country training at the federal level. It shall further monitor implementation of the Project by supervising the activity of the central and regional project groups.

3. A Central Project Group for Cadastral Mapping will be established within RosNITs "Zemlya" subordinate to the PDU. Responsibilities shall include implementation of Part A of the Project including overseeing the installation and use of equipment, designing appropriate technology, ensuring the adequate provision of spare parts and office supplies and indicating bottlenecks in these areas, and conducting Project-related training at the mapping enterprises.

4. A Central Project Group for Registration shall be established within RosNITs "Zemlya" subordinate to the PDU, to be responsible for implementation of Part B of the Project, including supervising the oblast project groups for registration.

5. Ten oblast project groups for registration to oversee Project implementation shall be established at the oblast level, to be responsible for overseeing the installation and use of equipment, for ensuring the adequate provision of spare parts and office supplies and indicating bottlenecks in these areas, and for the conduct of Project-related training at the oblast level.

6. SLC shall be responsible for allocating adequate premises for the mapping equipment and registration offices to be financed under the Project.

B. Organization and Staffing

The PDU, the central project groups, and the oblast project groups shall be organized and staffed, including staffing of mapping enterprises and registration groups at all levels in accordance with a plan acceptable to the Bank. SLC shall be responsible for the overall staffing arrangements at all levels.

II. Conditions for Equipment Contract Signing

SLC shall ensure that no contracts for equipment to be financed by the Project are concluded until:

1. adequate premises have been located, occupied and prepared for the installation and use of such equipment, including control for temperature, humidity and dust, consistent with manufacturers' specifications and adequate space configuration for successful operation; and

2. staffing plan referred to in Part I.B of this Schedule in respect of such unit or group shall have been carried out to the Bank's satisfaction.

III. Part A of the Project

1. Priority for scheduling and carrying out aerial photography will be given to rayons included in the automated registration system. Scheduling of aerial photography, shall be made so as to allow the start-up of registration activities in these rayons as planned. For rayons included in the first phase of the automated registration system, aerial photography, if not already completed, will be started in the fall of 1994 and continued during the spring of 1995.

2. Digital mapping units to be established under the Project will operate as discrete units of any existing mapping enterprises in which they may be located. This will include full-time staffing, financial accounting, and full-time use of equipment financed under this part of the Project.

3. Digital mapping units included under the first phase of such units shall be operational by January 1, 1996. Output of new digital maps from these units shall commence no later than June 1, 1996. Digital mapping units included under the second phase of such units shall be operational by November 1, 1996. Output of new digital maps from these units shall commence no later than March 1, 1997. Digital mapping units included under the third phase of such units shall be operational by June 1, 1997. Output of new digital maps from these units shall commence no later than January 1, 1998. Digital mappings of the rayons included in the automated registration system will be completed by January 1, 1999.

4. The Central Project Group for Cadastral Mapping will be responsible for the provision of mapping output to the registration groups in a timely manner, consistent with project implementation.

IV. Part B of the Project

1. It shall be the responsibility of the Central Project Group for Registration to ensure the compatibility of digital mapping output under Part A of the Project with the activity of registration groups included under Part B of the Project.

2. Oblast registration groups included under the first phase of the automated registration system shall be operational no later than March 1, 1996. Oblast registration groups included under the second phase of the automated registration system shall be operational no later than July 1, 1996. Oblast registration groups included under the third phase of the automated registration system shall be operational no later than July 1, 1997.

3. The first phase of rayon offices of the SLC included under the supplemental registration system for the Project shall be equipped and the staff of these offices trained by January 1, 1996.

4. SLC shall by October 1, 1994 adopt recommended guidelines, satisfactory to the Bank, for oblast participation in Part B of the Project, and submit proposals to the Borrower on principles of cooperation between the federal and regional authorities on land registration matters. The Borrower shall by January 1, 1995 adopt an action plan describing the contractual or administrative mechanisms for ensuring adherence by participating oblasts to such guidelines and principles.

V. Part C of the Project

1. SLC shall be responsible through the PDU for implementation of Part C of the Project.

2. Training required for the Project shall begin by January 1, 1995. Technical assistance in the areas of digital mapping technology, land registry management and legal aspects of land registration shall begin by January 1, 1995.

VI. Registration Procedures

SLC shall carry out the Project in accordance with (a) regulations of the Russian Federation governing the land book and related registration procedures, and (b) procedures for adjudication, demarcation and survey of land parcels, both acceptable to the Bank.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 \$500,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 a deposit or deposits 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 in 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

