

CONFORMED COPY

LOAN NUMBER 4709-UA

Loan Agreement

(Rural Land Titling and Cadastre Development Project)

between

UKRAINE

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated October 17, 2003



LOAN NUMBER 4709-UA

LOAN AGREEMENT

AGREEMENT, dated October 17, 2003, between UKRAINE (the Borrower) and the 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 E of the Project will be carried out by the STATE LAND CADASTRE CENTER (the Center), a state enterprise under the State Committee of Ukraine for Land Resources, with the Borrower's assistance and, as part of such assistance, the Borrower will make a portion of the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to the Center, 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 and in the agreement of even date herewith between the Bank and the Center (the Project 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 October 6, 1999) (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Advisory Council" means the Council referred to in paragraph 2, Section I, of Schedule 5 to this Agreement;

(b) “Autonomous Republic of Crimea Implementation Unit” means the Unit at the Autonomous Republic of Crimea-level referred to in paragraph 5, Section I, of Schedule 5 to this Agreement;

(c) “Category” means a category of items to be financed out of the proceeds of the Loan as set forth in the table in paragraph 1 of Schedule 1 to this Agreement, and the term “Categories” means more than one (1) Category collectively;

(d) “Center Order” means the SCLR (as hereinafter defined in paragraph (s) of this Section) Order No. 135 dated May 23, 2003, concerning organization of the Center as a single juridical entity with a consolidated balance sheet in furtherance of the provisions of the Cabinet of Ministers Decree No. 689 (as hereinafter defined in paragraph (z) of this Section);

(e) “Charter” means the Charter, satisfactory to the Bank, to be adopted by the founder of the Center in accordance with the legislation of Ukraine, regulating the activities of the Center;

(f) “Project Management Group” means the Group referred to in paragraph 3, Section I of Schedule 5 to this Agreement;

(g) “Environmental Management Plan” and “EMP” mean the environmental management plan acceptable to the Bank and approved by SCLR: (i) describing the environmental, mitigation, monitoring and institutional measures to be undertaken under Part D of the Project to ensure that all environmental concerns are adequately taken into account in the carrying out of the land privatization process thereunder; and (ii) outlining the two-tier environmental approach to be observed by the Borrower for determining the level and extent of detail required for each site-specific environmental assessment to be prepared by a contractor under Part D component of the Project;

(h) “Farm Restructuring Manual” means the manual approved by SCLR setting forth the procedures for privatization of land parcels and of non-land assets to be prepared by the consulting firm to be employed under Part F of the Project as its preliminary task precedent to the provision of legal advice and complex farm restructuring services therefor;

(i) “Fiscal Year” means the twelve-month period corresponding to any of the Borrower’s fiscal years, which period commences on January 1 and ends on December 31 in each calendar year;

(j) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement and of the Project Agreement;

(k) “Land Code” means the Land Code of the Borrower of October 25, 2001, adopted pursuant to Law No. 2768-III;

(l) “*Oblast* Implementation Unit” means each of the Units at the regional (*Oblast*)-level referred to in paragraph 5, Section I of Schedule 5 to this Agreement;

(m) “PIU” means the Project Implementation Unit referred to in paragraph 4, Section I of Schedule 5 to this Agreement;

(n) “Procedure Manual” means the Manual approved by SCLR on Land Privatization and Issuing of State Deeds for Land, dated May 28 , 2003, defining, in a manner satisfactory to the Bank, the standardized methodology for systematic land subdivision and issuing of state deeds for land to be applied under the Project and setting forth, *inter alia*, the technical specifications for contracting out such work, the procedures for consultation and farm-level decision making for farm sub-division and land privatization, the grievance system for objections and appeals, and the application of the social and environmental safeguards and preparation of environmental assessments, as the same may be amended from time to time in agreement with the Bank;

(o) “Project Agreement” means the agreement between the Bank and the Center of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement;

(p) “Project Preparation Advance” means the Project Preparation Advance No. P3940-UA granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank on May 7, 2002 and on behalf of the Borrower on August 21, 2002;

(q) “Project Performance Indicators” means the agreed performance indicators set forth in a letter of even date herewith to be utilized by the SCLR under the Project to measure the progress in the implementation of Parts A, B, C, D, F and G of the Project and the degree to which the objectives thereof are being achieved;

(r) “Resettlement” means: (i) the involuntary (*i.e.*, an action that may be taken without a person’s informed consent or power of choice) taking of land, including anything growing on or permanently affixed to such land, such as buildings and crops, resulting in: (A) relocation or loss of shelter; (B) lost of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the affected persons, and encompassing restrictions on the use of resources imposed on people living outside a park or protected area, or on those who continue living inside the park or protected area during and after Project implementation;

(s) “SCLR” means the State Committee of Ukraine for Land Resources, a central body of the Borrower’s executive power, functioning pursuant to the provisions of the Borrower’s Presidential Decree No. 970 dated August 14, 2000;

(t) “Special Accounts” means the accounts referred to in Section 2.02 (b) of this Agreement;

(u) “Interministerial Working Group” means the group referred to in paragraph 1, Section I of Schedule 5 to this Agreement;

(v) “Subsidiary Loan” means a loan proposed to be made by the Borrower through SCLR out of the proceeds of the Loan to the Center for the purposes of carrying out Part E of the of the Project;

(w) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower, the SCLR, and the Center 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;

(x) “Subsidiary Agreement on Non-Reimbursable Transfer of Funds” means the agreement to be entered into between the Borrower and the SCLR pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time;

(y) “Training” means the activities under the Project consisting of participation in workshops, national and international study tours, conferences, seminars and specialized training courses; and

(z) “Cabinet of Ministers Decree No. 689” means Decree No. 689 of the Cabinet of Ministers of the Borrower, dated May 15, 2003 on “Measures for Creating a Single System of State Registration of Land and Immovable Property and Rights thereto.”

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

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 one hundred ninety-five million one hundred thirty thousand dollars (\$195,130,000).

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 works, 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, respectively, of Parts A, B, C, D, F and G of the Project and Part E of the Project, open and maintain in dollars two separate special deposit accounts in a foreign commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, each 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 June 30, 2012, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan. 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 such 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 the LIBOR Base Rate and the 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 January 15 and July 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: (i) shall carry out, respectively: (A) Parts A, B, C, D and G of the Project through the SCLR; and (B) Part F of the Project through the Ministry of

Agricultural Policy of Ukraine, all with due diligence and efficiency and in conformity with appropriate administrative, agricultural, economic, engineering, environmental, forest, land use and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts A, B, C, D, F and G of the Project; and (ii) without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause the Center to perform in accordance with the provisions of the Project Agreement all the obligations of the Center therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the Center to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Loan allocated from time to time to Categories (1) (b), (1) (c), (2) (b), (2) (c), (2) (d), (3) (b), (3) (c), (3) (d), (4) (b), (5) (b) and (6) to the Center through SCLR under a subsidiary loan agreement (the Subsidiary Loan Agreement) to be entered into between the Borrower, the SCLR, and the Center, under terms and conditions which shall have been approved by the Bank and which shall include those stipulated in the Annex to Schedule 5 to this Agreement.

(c) The Borrower shall make available the proceeds of the Loan allocated from time to time to Categories (1) (a), (2) (a), (3) (a), (4), (5) (a) and (7) to SCLR under a subsidiary agreement on non-reimbursable transfer of funds (the Subsidiary Agreement on Non-Reimbursable Transfer of Funds) to be entered into between the Borrower and the SCLR.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement and the Subsidiary Agreement on Non-Reimbursable Transfer of Funds 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 the Subsidiary Agreement on Non-Reimbursable Transfer of Funds or any provision thereof.

(e) 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 Parts A, B, C, D, F and G of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, the procurement of works, goods and technical services and the selection and employment of the consultants' services required for Parts A, B, C, D, F and G of 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 Parts A, B, C, D, F and G of the Project; and

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

Section 3.04. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part E of the Project shall be carried out by the Center pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through the SCLR, shall maintain 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 Parts A, B, C, D, F and G of the Project.

(b) The Borrower, through the SCLR, 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 (6) months after the end of each such Year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such Year as so audited; and (B) an opinion on such statements, 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 statements of expenditure, the Borrower, through the SCLR, 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 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 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) The Borrower, through the SCLR, shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

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

(b) The first FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall

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

ARTICLE V

Remedies of the Bank

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

(a) The Center shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Center will be able to perform its obligations under the Project Agreement.

(c) The Center Order or the Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Center to perform any of its obligations under the Project Agreement.

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

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

(b) Any event specified in paragraph (c) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions: namely, that the auditors have been selected in accordance with the provisions of Section II of Schedule 4 to this Agreement to carry out the audits of the project accounts referred to in Section 4.01 (b) of this Agreement.

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 Project Agreement has been duly authorized or ratified by the Center, and is legally binding upon the Center 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:

Minister of Finance
12/2 Hrushevsky St.
Kyiv, 01008
Ukraine

Telex:

131450

Facsimile:

(380-44) 253-82-43
(380-44) 201-56-84

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 Washington, D.C.	248423 (MCI) or 64145 (MCI)	(1-202) 477-6391

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

UKRAINE

By /s/ Mykola Yvanoych Azarov
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Luca Barbone
Director
Ukraine, Belarus and Moldova
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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(1) Works:		100% of foreign expenditures and 80% of local expenditures
(a) Under Parts A, B, C, D, F and G of the Project	300,000	
(b) Under Part E.2 of the Project	2,000,000	
(c) Under Part E.3 of the Project	450,000	
(2) Goods:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 80% of local expenditures for other items procured locally
(a) Under Parts A B, C, D, F and G of the Project	5,700,000	
(b) Under Part E.1 of the Project	300,000	
(c) Under Part E.2 of the Project	18,000,000	
(d) Under Part E.3 of the Project	6,000,000	

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(3) Consultants services, including for audits:		100% for foreign consulting firms and individual consultants, 87% for local consulting firms, and 92% for local individual consultants
(a) Under Parts A B, C, D, F and G of the Project	24,000,000	
(b) Under Part E.1 of the Project	1,000,000	
(c) Under Part E.2 of the Project	3,000,000	
(d) Under Part E.3 of the Project	6,000,000	
(4) Technical Services under Parts A, B, C D, F and G of the Project	84,100,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 80% of local expenditures for other items procured locally
(5) Training:		100%
(a) Under Parts A B, C, D, F and G of the Project	250,000	
(b) Under Part E of the Project	450,000	
(6) Center operating costs:		
(a) For Fiscal Year 2004	5,000,000	90%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be financed</u>
(b) For Fiscal Year 2005	9,000,000	80%
(c) For Fiscal Year 2006	12,000,000	65%
(d) For Fiscal Year 2007	7,700,000	30%
(e) For Fiscal Year 2008 and thereafter	3,000,000	25%
(7) PIU operating	2,300,000	90% through December 31, 2006, 80% from January 1, 2007, through December 31, 2009, and 25% from January 1, 2010 and thereafter
(8) Refunding of Project Preparation Advance	1,450,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(9) Front-end fee	1,951,300	Amount due under Section 2.04 of this Agreement
(10) Unallocated	<u>1,178,700</u>	
TOTAL	<u>195,130,000</u>	

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 works, goods, technical services 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 works, goods, technical services or services supplied from the territory of the Borrower;

(c) the term “foreign consulting firm” means a consulting firm which is registered or incorporated in the territory of any country other than that of the Borrower;

(d) the term “foreign individual consultant” means an individual consultant who is a national of a territory of any country other than that of the Borrower;

(e) the term “local consulting firm” means a consulting firm which is registered or incorporated in the territory of the Borrower;

(f) the term “local individual consultant” means an individual consultant who is a national of the territory of the Borrower;

(g) the term “technical services” means expenditures incurred to finance the cost of: (A) the issuing of state deeds for land and index mapping, including aerial mapping, under Part D of the Project; and (B) the printing of public education and training materials under the Project;

(h) the term “Center operating costs” means expenditures incurred to finance the office costs of the Center, consisting of staff salaries (excluding those of any civil servant), building rentals, office maintenance and repairs, equipment servicing costs, communications, utilities, supplies, travel and per diem expenses of the Center’s staff, fuel and vehicle maintenance; and

(i) the term “PIU operating costs” means expenditures incurred to finance the office cost of the PIU, consisting of office maintenance and repairs, communications, utilities, supplies, travel and per diem expenses of the PIU staff, fuel and vehicle maintenance.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) any expenditure under Categories (1) (b), (2) (c), and (3) (c), unless and until the Bank shall have received evidence satisfactory attesting that: (i) amendments shall have been adopted to Cabinet of Ministers’ Decree No. 689, providing for the phase out of various existing registration activities involving land and real estate and other immovable property and rights thereto, and consolidation within the Center of the unified registration system, and other matters, satisfactory to the Bank; (ii) the Charter has been duly approved and adopted; (iii) the Center has established the financial management system required pursuant to the provisions of Section 4.01 (a) of the Project Agreement; (iv) the Center has hired an auditor to carry out the audits required pursuant to the provisions of Section 4.01 (b) (ii) of the Project Agreement; (v) the Center has organized itself and is functioning pursuant to the organizational principles set out in paragraph 1 of Section I of the Schedule to the Project Agreement; and (vi) a legal opinion, satisfactory to the Bank, has been issued stating that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and the Center and that such Agreement has been

duly authorized or ratified by the Borrower and the Center and is legally binding upon the Borrower and the Center in accordance with its terms;

(c) any expenditure under Categories (1) (c), (2) (d), and (3) (d), unless and until the Bank shall have received evidence satisfactory attesting that: (i) the Borrower has promulgated a cadastre and/or title registry law satisfactory to the Bank establishing a unified cadastre and registry system, assigning institutional responsibility for managing the registry of both land and buildings in a unified manner, and establishing adequate registration procedures, all suitable to ensure the successful and sustainable implementation of the Project; (ii) the Charter has been duly approved and adopted; (iii) the Center has established the financial management system required pursuant to the provisions of Section 4.01 (a) of the Project Agreement; (iv) the Center has hired an auditor to carry out the audits required pursuant to the provisions of Section 4.01 (b)(ii) of the Project Agreement; (v) the Center has organized itself and is functioning pursuant to the organizational principles set out in paragraph 1 of Section I of the Schedule to the Project Agreement; and (vi) a legal opinion, satisfactory to the Bank, has been issued stating that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and the Center and that such Agreement has been duly authorized or ratified by the Borrower and the Center and is legally binding upon the Borrower and the Center in accordance with its terms;

(d) any expenditure under Category (6) (a), until and unless: (i) the Bank and the Center shall have reached an agreement on the proposed annual budget for the Center for Fiscal Year 2004; and (ii) the Bank shall have received evidence satisfactory attesting that the Center continue to be organized and function pursuant to the organizational principles set out in paragraph 1 of Section I of the Schedule to the Project Agreement;

(e) any expenditure under Category (6) (b), until and unless: (i) the Bank and the Center shall have reached an agreement on the proposed annual budget for the Center for Fiscal Year 2005; and (ii) the Bank shall have received evidence satisfactory attesting that the Center continue to be organized and function pursuant to the organizational principles set out in paragraph 1 of Section I of the Schedule to the Project Agreement;

(f) any expenditure under Category (6) (c), until and unless: (i) the Bank and the Center shall have reached an agreement on the proposed annual budget for the Center for Fiscal Year 2006; and (ii) the Bank shall have received evidence satisfactory attesting that the Center continue to be organized and function pursuant to the organizational principles set out in paragraph 1 of Section I of the Schedule to the Project Agreement;

(g) any expenditure under Category (6) (d), until and unless: (i) the Bank and the Center shall have reached an agreement on the proposed annual budget for the Center for Fiscal Year 2007; and (ii) the Bank shall have received evidence satisfactory attesting that the Center continue to be organized and function pursuant to the

organizational principles set out in paragraph 1 of Section I of the Schedule to the Project Agreement; and

(h) any expenditure under Category (6) (e), until and unless: (i) the Bank and the Center shall have reached an agreement on the proposed annual budget for the Center for Fiscal Year 2008; and (ii) the Bank shall have received evidence satisfactory attesting that the Center continue to be organized and function pursuant to the organizational principles set out in paragraph 1 of Section I of the Schedule to the Project Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) works, under contracts costing less than \$300,000 equivalent each; (ii) goods, under contracts costing less than \$100,000 equivalent each; (iii) technical services, under contracts costing less than \$300,000 equivalent each; (iv) services of consulting firms, under contracts costing less than \$100,000 equivalent each; (v) services of individual consultants, under contracts costing less than \$50,000 equivalent each; (vi) training, under contracts costing less than \$50,000 equivalent each; and (vii) Center operating costs and PIU operating costs, all 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 to assist the Borrower in: (i) privatization of the lands of state and communal farm enterprises, agencies and organizations through transfer to the employees of these enterprises, agencies and organizations as well as retirees from among them, designating for each of them a land parcel (share); (ii) allocating land parcels to owners of land parcels (shares) in kind (on site) and issuing state land deeds to them; (iii) encouraging the restructuring of farm enterprises into more efficient units, with due consideration for environmental and social safeguards; and (iv) establishing a cadastre and title registry system where rights to immovable property can be adequately registered.

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: Institutional Development and Legal Reform

Carrying out of a program: (i) to assist the SCLR in reorganizing and changing its land use planning function focusing on land use regulation and monitoring of zoning compliance better suited to a market economy, improving the zoning regulation and land use, including those related to farm enterprise restructuring, so as to enable the SCLR to provide suitable advisory services related to land and environmental management and land rehabilitation, assist contractors under the Project in the undertaking of titling work, public awareness campaigns, farm enterprise restructuring work, and coordination of such activities, and provision of the required training, including the provision of technical assistance, basic equipment and work space for land management assistance; and (ii) to prepare the specific legislation required for improving land use management, specifically as required for the drafting and/or amending of legislation following the enactment of the Land Code and the prospective enactment of the laws governing the cadastre and registration system to be established under Part E of the Project, including the provision of technical assistance for the analysis of the existing legal status and the development of a library of foreign and local laws and commentaries.

Part B: Public Awareness

Carrying out of a program to provide information to all potential recipients of state deeds for land, focusing on providing information to small land holders on their rights to individual title, their land use rights and obligations after said rights have been granted, farm enterprise management, legal procedures related to the land, and leasing of parcels, and encompassing the implementation of mass media campaigns, the production of pamphlets and leaflets on a mass scale, the holding of public meetings at individual farm enterprises, and printing of regular related newspapers or periodicals.

Part C: Training

1. Carrying out of a comprehensive program of short-term training in land management and land survey aimed at ensuring that qualified and highly specialized personnel is available under the Project to restructure the large farm enterprises and converting four million (4,000,000) land share certificates to state deeds, including training of district- (*rayon*) and village-level staff of the SCLR and of the Center to enable them to utilize and administer the automated systems to be established under Part E of the Project, preparation of training materials, and provision of technical assistance for course development and workshops for training of trainers, and study tours for key personnel to review comparative practices abroad.
2. Carrying out of a selected program of long-term training to equip the Agrarian Universities in Odessa, Lviv, Harkiv and Kiev to meet the needs of new land management graduates and assist them in further developing their courses and long-term training capacity, including provision of required study tours to university staff.

Part D: Land Survey Works

Carrying out of an integrated program to systematically privatize the land of the Borrower's former collective farms and issue free-of-charge state deeds for land to individual rural land owners, including the carrying out of other preparatory investigation and consultation with the owners of the said collective farms, such as the provision of information to the inhabitants of each region falling under such process, the preparation of base maps and the surveying of boundaries of the collective farms, the identification of holders of existing land share certificates and development of the list thereof, and the identification and delineation of land and assets to be transferred, the preparation of environmental assessments, farm restructuring and subdivision plans and land survey work to convert about four million (4,000,000) land share certificates, and issuing of the state deeds for lands.

Part E: Cadastre System Development

Development of a national cadastre system aimed to serve as the basis of a title registry system recording legal rights to ownership, transfer of ownership, mortgages and restrictions on the property, and encompassing the institutional development of the Center, including the upgrading of the Center's network of about six hundred sixty-two (662) offices and the development and installation of a computerized cadastre and registry system, encompassing data entry, a global positioning system and other survey equipment and vehicles, in three phases, as follows:

1. development and establishment at each of the twenty (26) region (*Oblast*) offices of the Center of an interim system for capturing both geographic and attribute data generated from completed land surveys to ensure that a system is in place for the

electronic recording of the state deeds for land to be issued in rural areas under Part D of the Project;

2. development of a cadastre and title registry system and the Center's rural office network, including the development of software to design, supply, install and train users and the rehabilitation and establishment of the region (*Oblast*) headquarters offices and the network of rural offices of the Center to prepare for the installation of the computerized system; and

3. rehabilitation and equipping of the urban cadastre and registry offices of the Center and upgrading of the design and installation of the registry module of the cadastre and registry computer system under the preceding Part E.2 of the Project.

Part F: Farm Restructuring Services

Provision of tailor-made advisory services to new or potential land owners on a demand basis, including, *inter alia*, services on legal rights and obligations pertaining to new land owners, drafting of rental agreements, disputes between parties over division of land or non-land assets and debt resolution, development of plans for land used in common, transfer by former collectives of social assets to municipal authorities, and management by municipalities of land reserves and social assets placed under their control as a result of the farm restructuring process.

Part G: Project Implementation

Maintenance and operation of the PIU and hiring of regional representatives in each of the twenty-four (24) Oblast and Autonomous Republic of Crimea offices of the SCLR to coordinate and promote the Project activities, and carrying out of the audits of the Loan.

* * *

The Project is expected to be completed by December 31, 2011.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)*</u>
January 15, 2009	5,700,000
July 15, 2009	5,750,000
January 15, 2010	5,800,000
July 15, 2010	5,855,000
January 15, 2011	5,905,000
July 15, 2011	5,960,000
January 15, 2012	6,010,000
July 15, 2012	6,065,000
January 15, 2013	6,120,000
July 15, 2013	6,175,000
January 15, 2014	6,230,000
July 15, 2014	6,285,000
January 15, 2015	6,340,000
July 15, 2015	6,400,000
January 15, 2016	6,455,000
July 15, 2016	6,515,000
January 15, 2017	6,570,000
July 15, 2017	6,630,000
January 15, 2018	6,690,000
July 15, 2018	6,750,000
January 15, 2019	6,810,000
July 15, 2019	6,870,000
January 15, 2020	6,935,000
July 15, 2020	6,995,000
January 15, 2021	7,060,000
July 15, 2021	7,120,000
January 15, 2022	7,185,000
July 15, 2022	7,250,000
January 15, 2023	7,315,000
July 15, 2023	7,385,000

* 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 and Consultants' Services

Section I. Procurement of Works, Goods and Technical Services

Part A: General

Works, goods and technical services shall be procured in accordance with: (i) 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 (ii) 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, works, goods and technical services for: (A) the issuing of state deeds for land and index mapping, including aerial mapping, under Part D of the Project; (B) the printing of public education and training materials under the Project; and (C) the design, supply and installation of the information system of the national cadastre under Part E of the Project, 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 works, goods and technical services to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Prequalification

Bidders for technical services for the issuing of state deeds for land and index mapping, including aerial mapping, under Part D of the Project shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for: (i) works and technical services for the issuing of state deeds for land and index mapping, including aerial mapping, under Part D of the Project, shall be grouped in bid packages estimated to cost \$300,000 equivalent or more each; and (ii) goods, shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(c) Two-stage bidding procedure

The bidding procedure for the technical services for the design, supply and installation of the information system of the national cadastre under Part E of the Project shall be carried out in two stages in accordance with the provisions of paragraph 2.6 of the Guidelines.

(d) Preference for domestically manufactured goods and domestic contractors

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 and works to be carried out by domestic contractors.

(e) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$3,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

(f) Land Subdivision and Issuing of State Deeds

A survey bid evaluation committee shall be established not later than August 1, 2003 in order to pre-qualify and evaluate companies wishing to tender on contracts under Part D of the Project involving geodetic works, cartographic works, topographic mapping works (including such aerial photography or satellite imagery required to produce maps), land management works and land evaluation works. Such committee shall comprise members of the SCLR responsible for licensing such activities under the provisions of the Borrower's Law on "State Secrets" No. 1079-IV dated September 21, 1999 and the Borrower's Law on "Licensing of Certain Business Activities" No. 1969-III dated September 21, 2000, and their subsequent amendments, and of any other agency responsible for or involved in the licensing of such activities pursuant to any other legislation and/or administrative regulation governing licenses required to perform the said works.

The survey bid evaluation committee shall base decisions for pre-qualification on Section 2.9 of the Guidelines, ensuring that nationals or companies of any Bank member country shall not be rejected on grounds of nationality.

Companies, of whatever nationality, that have pre-qualified, tendered and won a tender under the Project to undertake work involving: (i) geodetic and cartographic activity (including such topographic mapping works and aerial photography or satellite imagery required to produce maps), as referred in the Borrower's Law on "State Secrets" No. 1079-IV dated September 21, 1999 and the Borrower's Law on "Licensing Certain Business Activities" No. 1969-III dated September 21, 2000 and their subsequent

amendments, and any other legislation and/or administrative regulation governing licenses required to perform the said works; and (ii) topographic, land management, and land evaluation, as referred in the Borrower's Law on "Licensing Certain Business Activities" No.1969-III dated September 21, 2000 and its subsequent amendments, and any other legislation and/or administrative regulation governing licenses required to perform the said works, shall be granted licenses to undertake such business activity in the Borrower's territory.

Companies undertaking geodetic works, cartographic works, topographic mapping works (including such aerial photography or satellite imagery required to produce maps), land management works, environmental assessment works and land evaluation works, shall be exempt from the payment of fees for expert review of designs, registration or any other fees normally payable to the Borrower or the Center in the process of undertaking such activities.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(i) Works estimated to cost less than \$300,000 equivalent per contract; (ii) technical services for: (A) the issuing of state deeds for land and index mapping, including aerial mapping, under Part D of the Project; (B) the printing of public education and training materials under the Project; and (C) the design, supply and installation of the information system of the national cadastre under Part E of the Project, all under contracts estimated to cost less than \$300,000 equivalent each, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, 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.

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, 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.

4. Direct Contracting

Goods which must be purchased from the original supplier to be compatible with existing equipment and costing \$100,000 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.

5. Procurement of Small Works

Works estimated to cost less than \$100,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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 works, goods and technical services 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: (i) each contract for works, goods and technical services to be procured in accordance with the procedures referred to in Part B of this Section; (ii) the first two (2) contracts for works to be procured in accordance with the procedures referred to in Part C.1 of this Section, regardless of the cost thereof; (iii) the first two (2) contracts for technical services for each of: (A) the issuing of state deeds for land and index mapping, including aerial mapping, under Part D of the Project; (B) the printing of public education and printing materials under the Project; and (C) the design, supply and installation of the information system of the national cadastre under Part E of the Project, all to be procured in accordance with the procedures referred to in Part C.1 of this Section, regardless of the cost thereof, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to: (i) the first two (2) contracts for works to be procured in accordance with the procedures referred to in Part C.5 of this Section, regardless of the cost thereof; (ii) the first two (2) contracts for goods to be procured in accordance with the procedures referred to in Part C.2 of this Section, regardless of the cost thereof; (iii) the first two (2) contracts for goods to be procured in accordance with the procedures referred to in Part C.3 of this Section, regardless of the cost thereof; and (iv) each

contract to be procured in accordance with the procedures referred to in Part C.4 of this Section, the following procedures shall apply:

- (i) prior to the selection of any supplier and execution of any contract 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: (i) the provisions of Sections I and 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, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto; and (ii) the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

1. 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, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services: (i) under Parts A, B, D, E, F and G of the Project, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants; and (ii) under Part C of the Project, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national universities in the Borrower's territory, all in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audits under Part G of the Project estimated to cost less than \$200,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for social and economic studies, translation services, financial management and legal advisory services, feasibility studies, and monitoring and evaluation under the Project estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Individual Consultants

Services of individual consultants for: (i) tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines; and (ii) tasks that meet the requirements set forth in paragraph 5.4 of the Consultant Guidelines, may be selected on a sole-source basis in accordance with the provisions of paragraphs 5.3 and 5.4 of the Consultant Guidelines, subject to prior approval of the Bank.

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every six (6) months during the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to: (i) the first two (2) contracts for the employment of consulting firms to be selected in accordance with the procedures referred to in Part C.2 of this Section, regardless of the cost thereof; and (ii) each contract for the employment

of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to: (i) each contract for the employment of individual consultants to be selected on a sole source basis or estimated to cost the equivalent of \$50,000 or more; (ii) the first two (2) contracts for the employment of individual consultants, regardless of the cost thereof; and (iii) the contract for the employment of individual consultants for the hiring of each of the Project Manager, the Deputy Project Manager, Financial Manager, Accountant, four (4) Procurement Officers, Logistics Officer, and Supervisor for each of Parts A, B, C, D and F of the Project referred to in paragraph 4 of Section I of Schedule 5 to this Agreement, the report on the comparison of the qualifications and experience of candidates, 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. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

(c) With respect to: (i) all the terms of reference; and (ii) the short lists of universities to be selected in accordance with the procedures referred to in Part B.2 (ii) of this Section, of the contracts not subject to prior review pursuant to the preceding paragraphs (a) and (b), prior review and approval by the Bank shall apply in accordance with the provisions of the following paragraph 3 of this Part D.

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; provided, however, that prior review and approval by the Bank shall still apply to the terms of reference for such contracts and for the short lists of universities to be selected in accordance with the procedures referred to in Part B.2 (ii) of this Section.

SCHEDULE 5

Implementation Program

Section I: Institutional Arrangements

1. Interministerial Working Group

For the purposes of ensuring proper inter-ministerial coordination of the various Project activities, the Borrower shall maintain, in a manner satisfactory to the Bank, throughout Project implementation, the Interministerial Working Group established pursuant to Cabinet of Ministers Decree No. 453-p of September 26, 2001, and headed by the Deputy Prime Minister and composed of representatives of the Ministries of Finance, Economy and Issues of European Integration, Agricultural Policy and Justice, SCLR and the State Committee for Urban Construction and Architecture. More specifically, the said Working Group shall be responsible for providing direction and policy advice to the different implementing bodies of the Project, for which it shall meet at least quarterly during each calendar year, with the attendance, as requested, of the PIU Project Manager to report on the progress achieved by the Project during the preceding quarter.

2. Advisory Council

With a view to ensure stakeholder participation, advice and involvement in the implementation of the Project, the Borrower shall maintain, in a manner acceptable to the Bank, throughout Project implementation, the Advisory Council established by SCLR Order No. 203 of November 27, 2002. The said Council shall be chaired by the PIU Project Manager and shall comprise representatives from relevant projects financed by other international donors, Borrower's landowners associations and farmers associations, academics, non-governmental organizations, and other selected invitees. The Council shall meet quarterly during each calendar year to discuss in particular Project issues and progress.

3. Project Management Group

Responsibility for the coordination of the activities of the PIU and the achievement of the objectives of the Project shall be vested upon the Project Management Group established pursuant to SCLR Order No. 203 of November 27, 2002. The Borrower shall maintain throughout Project implementation, the said Project Management Group with a composition and terms of reference satisfactory to the Bank. The Project Management Group shall meet on a monthly basis with the attendance of the PIU Project Manager as a non-voting member.

4. PIU

The Borrower shall maintain, with composition, resources, and terms of reference satisfactory to the Bank, the PIU within the headquarters offices of the SCLR in Kiev throughout Project implementation adequate to enable it to perform its responsibilities under the Project, which specifically consist of daily management of the Project, including financial management, disbursement of Loan proceeds, carrying out of procurement of technical services, works and goods and selection and employment of consultants' services, and other Project-related tasks. The PIU shall be headed by a Project Manager and, except as otherwise agreed with the Bank, shall include in its composition the positions of two Deputy Project Managers, a Financial Manager, an Accountant, four (4) Procurement Officers, a Logistics Officer, a Project Analyst, and a Supervisor for each of Parts A, C, D and E of the Project.

5. Implementation Units

The Borrower shall take all action required to ensure that not later than two years after the Effectiveness Date, each region (*Oblast*) and the Autonomous Republic of Crimea establish at the regional (*Oblast*) and Republic-level State Land Committee and, thereafter, maintain throughout Project implementation, or as otherwise agreed with the Bank, a Project Implementation Unit composed of one (1) to three (3) representatives to promote, monitor and provide logistical support to the Project. The said representatives shall report to the PIU Project Manager while coordinating with the respective regional (*Oblast*) or Autonomous Republic of Crimea State Land Committee.

Section II: Implementation Modalities

1. The Borrower shall take all measures necessary to carry out the Environmental Management Plan in a timely manner through:

(a) ensuring that adequate information on the implementation of said measures is suitably included in the progress reports under the Project; and

(b) closely enforcing and monitoring, through the SCLR, the strict adherence by each contractor under Part D of the Project to the two-tier environmental approach of the EMP, and thus, withholding the issuance of any state deed for land on any farm enterprise, until and unless in connection with each farm enterprise, the SCLR: (i) has received and approved a Land Allocation Plan for such farm containing an environmental assessment, of such detail and of such scope as the Borrower's Ministry of the Environment and Natural Resources shall have required, duly approved by the said Ministry and setting forth any mitigation measure to be implemented to minimize any potential negative impact under Part D of the Project; and (ii) shall have received a written attestation, endorsed by the SCLR, that the work to be carried out in the farm does not result in resettlement.

2. The Borrower shall ensure that all action required is taken in order to ensure that: (i) the Procedure Manual is applied and followed at all times in the implementation, monitoring and evaluation of Parts A, B, C, D, F and G of the Project, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Procedure Manual or any provision thereof; and (ii) the Farm Restructuring Manual is applied and followed at all times by the selected consulting firm in the implementation of Part F of the Project, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Farm Restructuring Manual or any provision thereof.

3. For the purposes of the training to be financed under the Project, the Borrower shall:

(a) furnish to the Bank for its approval, the content of each such training, including an explanation on how such training is consistent and conducive to the objectives of the Project and whether it offers the best price/quality ratio, as well as the schedule for its implementation;

(b) select the trainees in accordance with a transparent process and criteria satisfactory to the Bank;

(c) not later than September 30 of each year, exchange views with the Bank on the training to be carried out during 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 and the benefits to be derived therefrom.

Section III: Progress Reporting and Review

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Project Performance Indicators, the carrying out of Parts A, B, C, D, F and G 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 December 31, 2006, 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 Parts A, B, C, D, F and G 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 Parts A, B, C, D, F and G of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by April 30, 2007 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 Parts A, B, C, D, F and G 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.

**Annex
to
SCHEDULE 5**

**Terms and Conditions of
the Subsidiary Loan Agreement**

1. Except as the Bank and the Borrower shall otherwise agree, the provisions set forth or referred to in this Annex shall apply for the purposes of Section 3.01 (c) of this Agreement.
2. The principal amount of the Subsidiary Loan repayable to the Borrower under the Subsidiary Loan Agreement shall: (i) be denominated in dollars; and (ii) be the equivalent in dollars (determined as of the date or respective dates of repayment of the principal amount of the Loan specified in Schedule 3 to this Agreement) of the value of the currency or currencies withdrawn from the Loan Account or paid out of the Special Account for Part E of the Project on account of the cost of works, goods and services for Part E of the Project to be financed under the Subsidiary Loan out of the proceeds of the Loan allocated from time to time to Categories (1) (b), (1) (c), (2) (b), (2) (c), (2) (d), (3) (b), (3) (c), (3) (d), (5) (b) and (6).
3. The Center shall pay to the Borrower: (i) interest on the principal amount of the Subsidiary Loan withdrawn and outstanding from time to time at the rate applicable from time to time to the Loan pursuant to the provisions of Section 2.06 of this Agreement; (ii) a commitment fee equal to the rate applicable from time to time to the Loan pursuant to the provisions of Section 2.05 of this Agreement calculated on the principal amount of the Subsidiary Loan not withdrawn from time to time; and (iii) a front-end fee in the amount of 1.00% of the amount of the Subsidiary Loan.
4. The Center shall repay to the Borrower the principal amount of the Subsidiary Loan in accordance with an amortization schedule, as set forth in the Subsidiary Loan Agreement, not exceeding the maturity of the Loan, inclusive of a grace period not exceeding five (5) years.
5. The Center shall at all times function and organize itself pursuant to the organizational principles set forth in paragraph 1 of Section I of the Schedule to the Project Agreement.

SCHEDULE 6

Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) (a), (2) (a), (3) (a), (4), (5) (a), (7) and (8) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Parts A, B, C, D, F and G of the Project and Categories (1) (b), (1) (c), (2) (b), (2) (c), (2) (d), (3) (b), (3) (c), (3) (d), (4) (d), (5) (b) and (6) set forth in said table in respect of Part E of the Project;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of works, goods and services required for Parts A, B, C, D, E, F and G of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means the amount of \$2,000,000 in respect of the Special Account for Parts A, B, C, D, F and G of the Project and an amount equivalent to \$4,000,000 in respect of the Special Account for Part E thereof, to be withdrawn from the Loan Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$1,000,000 in respect of the Special Account for Parts A, B, C, D, F and G of the Project and an amount equivalent to \$500,000 in respect of the Special Account for Part D thereof, until: (i) in respect of the Special Account for Parts A, B, C, D, F and G of the Project, the aggregate amount of withdrawals from the Loan Account allocated to Categories (1) (a), (2) (a), (3) (a), (4), (5) (a), (7) and (8) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts A, B, C, D, F and G of the Project shall be equal to or exceed the equivalent of \$4,000,000; and (ii) in respect of the Special Account for Part E of the Project, the aggregate amount of withdrawals from the Loan Account allocated to Categories (1) (b), (1) (c), (2) (b), (2) (c), (2) (d), (3) (b), (3) (c), (3) (d), (5) (b) and (6) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Part E of the Project shall be equal to or exceed the equivalent of \$2,000,000.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Bank requests for deposits into the respective 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 respective 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 respective 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 respective 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 any 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 the 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 for the respective Special Account for Parts A, B, C, D, F and G of the Project and Part E of the Project, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for Parts A, B, C, D, F and G of the Project and Part E of 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 for Parts A, B, C, D, F and G of the Project and Part E of the Project 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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

(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.

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