

CONFORMED COPY

LOAN NUMBER 4146 KZ

Loan Agreement

(Registration of Real Estate Rights Pilot Project)

between

REPUBLIC OF KAZAKSTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 16, 1997

LOAN NUMBER 4146 KZ

LOAN AGREEMENT

AGREEMENT, dated May 16, 1997, between REPUBLIC OF KAZAKSTAN (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; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" 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) The second sentence of Section 5.01 is modified to read:
"Except as the Bank and the Borrower shall otherwise agree, no

withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(c) 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."

(d) Section 6.03 is modified to read:

"If (a) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

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) "MOF" means the Borrower's Ministry of Finance, or any successor thereto;

(b) "MOJ" means the Borrower's Ministry of Justice, or any successor thereto;

(c) "SLC" means the Borrower's State Land Committee for Land Relations and Land Administration, or any successor thereto;

(d) "MOC" means the Borrower's Ministry of Construction, Housing and Area Development, or any successor thereto;

(e) "PIU" means the project implementation unit established by the Borrower within the MOJ pursuant to Borrower's Prime Minister's Instruction No. 453-r of September 25, 1996, or any successor thereto;

(f) "Technology Oversight Group" means the group responsible for technical aspects of Project implementation established within the PIU pursuant to paragraph 5 of Schedule 5 to this Agreement;

(g) "General Consultants" means the consultants referred to in paragraph 4 of Schedule 5 to this Agreement;

(h) "Registration Law" means Presidential Decree with the force of law "On

Registration of Rights and Transactions in Real Estate", adopted on December 25, 1995;

(i) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated June 26, 1996, and July 23, 1996, between the Bank and the Borrower; and

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

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 ten million Dollars (\$10,000,000), 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 may, 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.

(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, 1999, 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 January 1 and July 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 the Project through the MOJ, SLC, and local governments of the Borrower, with due diligence and efficiency and in conformity with appropriate administrative, financial, and information technology practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

(i) maintain the PIU until the completion of the Project, and ensure that the PIU functions at all times in accordance with procedures, under terms of reference, and with staff and budgetary resources necessary to meet the objectives of the Project and satisfactory to the Bank; and

(ii) carry out 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, 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 3.03. The Borrower shall:

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

objectives thereof, and the feasibility of implementing Project objectives on a national level;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about October 31, 1998, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date, and the planned actions to implement Project objectives on a national level; and

(c) review with the Bank, by November 30, 1998, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date, or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained 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 (6) 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 (1) 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 (l) of the General Conditions, the following additional event is specified, namely that the Registration Law shall have been amended, suspended or repealed so as to affect materially and adversely the Project's objectives and the ability of the Borrower to implement the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following event is specified, namely that the event specified in Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that the Borrower has hired the General Consultants in accordance with paragraph 4 of and Schedule 5 to this Agreement.

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 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
97 Ablai-Khan Av.
Almaty, 480091
Republic of Kazakhstan

Telex:

251 245 FILIN

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
Washington, D.C.

248423 (MCI)
64145 (MCI)

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

REPUBLIC OF KAZAKSTAN

By /s/ Bolat Nurgaliyev

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kadir Yurukoglu

Acting Regional Vice President
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Goods	5,950,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for items procured locally
(2) Consultants' services and training	1,650,000	100%
(3) PIU Incremental Operating Costs	400,000	100% of expendi- tures incurred up to December 31, 1997, and 80% of expend- tures incurred there- after
(4) Refunding of Project Preparation	1,500,000	Amount due pursuant to Section 2.02 (c)

Advance

of this Agreement

(5) Unallocated	500,000
	<hr/>
TOTAL	10,000,000
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2. For the purposes of this Schedule:

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

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

(c) the term "PIU Incremental Operating Costs" means reasonable and necessary operating expenses of the PIU in respect of its operations and administration of activities under the Project, and consisting of any expenses incurred by the PIU, which would not have been incurred in the absence of the Project, and which are payable on account of costs of rent and utilities, salaries, office equipment and supplies, maintenance, communications, and transportation, all valued in accordance with a calculation methodology satisfactory to the Bank.

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.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for goods under contracts costing less than \$200,000, and for services under contracts costing less than \$100,000 equivalent for consulting firms, and contracts costing less than \$30,000 equivalent for individuals, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to support, on a pilot basis, the Borrower's effort to establish a national registration system of real estate rights and transactions that would lead to increased security for rights to land and real estate, facilitate transactions in land and real estate, and promote the development of credit systems.

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: Institution Building

Strengthening the institutional capacity of the MOJ and SLC in the area of management of registration of real estate rights and transactions, including administration of real estate records, and maintenance of a proper relationship among the legal, land and buildings cadastres, and provision of services to clients; through the provision of: (a) training of staff of the MOJ and SLC; (b) consultants' services; and (c) operating expenses of the PIU.

Part B: Registration System

Provision of goods for the MOJ and SLC, and works for the MOJ, for the establishment and operation of real estate rights registration system at the oblast and rayon levels in Akmola Oblast, Almaty Oblast, and Almaty city, establishment and functioning of a real estate rights registration division within the MOJ; implementation and testing of inter-agency cooperation, including exchange of information and documentation, among the MOJ, SLC and MOC.

Part C: Map Production

Provision of goods and training for the establishment and operation of a digital mapping center under the auspices of the SLC, in order to test and elaborate upon methodologies for utilization of digital maps, train staff for map digitization, and examination of the economic costs and benefits of shifting from paper-based to digital maps.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)*
On January 1, 2003	210,000
On July 1, 2003	220,000
On January 1, 2004	225,000
On July 1, 2004	230,000
On January 1, 2005	240,000
On July 1, 2005	245,000
On January 1, 2006	250,000
On July 1, 2006	260,000
On January 1, 2007	265,000
On July 1, 2007	275,000
On January 1, 2008	285,000
On July 1, 2008	290,000
On January 1, 2009	300,000
On July 1, 2009	310,000
On January 1, 2010	320,000
On July 1, 2010	330,000
On January 1, 2011	335,000
On July 1, 2011	345,000
On January 1, 2012	360,000
On July 1, 2012	370,000
On January 1, 2013	380,000
On July 1, 2013	390,000
On January 1, 2014	400,000
On July 1, 2014	415,000
On January 1, 2015	425,000
On July 1, 2015	440,000
On January 1, 2016	450,000
On July 1, 2016	465,000
On January 1, 2017	480,000
On July 1, 2017	490,000

* 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	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: General

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

Part B: International Competitive Bidding

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

Part C: Other Procurement Procedures

1. International Shopping

Goods estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

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 goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and

with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply. With respect to the first two contracts for goods estimated to cost the equivalent of \$100,000 or more each, the Borrower shall furnish to the Bank for its prior review draft requests for quotations, a copy of the Borrower's evaluation of quotations report, when quotations have been received and evaluated, and the draft contract or purchase order for the goods to be procured. One conformed copy of the contract or purchase order shall be furnished to the Bank promptly after its execution or issuance and prior to delivery to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract or purchase order, or, where payments are to be made out of the Special Account (SA), a copy of the contract or purchase order shall be furnished to the Bank prior to the making of the first payment out of the SA in respect of such contract or purchase order. In the case of contracts or purchase orders subject to prior review, before granting a material extension of the stipulated time for performance, agreeing to any modification or waiver of the conditions of such contract or purchase order, including issuing any change order or orders under such contract or purchase order (except in cases of extreme urgency) which would in aggregate increase the original amount of the contract or purchase order by more than 15 percent of the original price, the Borrower shall inform the Bank of the proposed extension, modification, or change order and the reasons therefor. If the Bank determines that the proposal would be inconsistent with the provisions of the Loan Agreement, it shall promptly inform the Borrower and state the reasons for its determination. A copy of all amendments to the purchase order shall be furnished to the Bank for its record.

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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions 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, such contracts shall be based on 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, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individual consultants estimated to cost less than \$30,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms and individuals; (c) assignments of a critical nature, as reasonably determined by the Bank; and (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$30,000 equivalent or above.

SCHEDULE 5

Implementation Program

1. MOJ. The MOJ shall be responsible for overall Project implementation and for operating the registration offices established under the Project and ensuring access by the SLC, the MOC, other agencies of the Borrower, and the public at large to information in the legal cadastre. The MOJ, acting through the oblast and city centers

for real estate, offices of the architects and city construction and other executive bodies, shall have responsibility for graphic depiction of real estate objects located on land parcels and the entry of other information, necessary for the legal cadastre. Registration in the offices of the MOJ shall include cadastral numbers for buildings and sub-units of buildings, name of the owner, name of the user, limitations, encumbrances, and other information required under the legal cadastre. Offices of the oblast, city and rayon architects, on the basis of requests from the offices of the MOJ, shall provide the registration offices with necessary information on buildings, structures, and their parts.

2. PIU. The PIU shall be responsible for day-to-day technical, administrative, financial, and operational aspects of Project implementation. The PIU shall coordinate among the Borrower's agencies responsible for in Project implementation all work related to budgeting, auditing, reporting, monitoring and evaluation, and shall be responsible for the preparation of bidding documents, evaluation of proposals, and negotiation and signing of contracts for goods and consultants' services and training (with terms of reference satisfactory to the Bank) under the Project. The PIU shall be responsible for the preparation of disbursement requests. The PIU shall supervise the training programs and technical assistance provided under the Project, and monitor the arrangements for the sharing of information with offices of the architects and the delineation of the functions of the registration offices and the offices of the SLC at the rayon and oblast levels. The PIU shall monitor the progress of official documents in support of implementation of the Registration Law and the allocation of adequate premises and staffing for the rayon and oblast registration offices of the MOJ.

3. The PIU shall be responsible for the preparation of the following reports, under terms of reference satisfactory to the Bank: (a) assessment of the functioning of the paper-based registration system (by December 31, 1997); (b) assessment of the functioning of the automated registration system (by December 31, 1998); and (c) assessment of the map digitization program (by December 31, 1998).

4. The PIU shall hire consultants (General Consultants) with necessary and appropriate expertise and qualifications in accordance with the provisions of Section II of Schedule 4 to this Agreement, to assist the PIU in the following areas: (a) real estate rights registration systems; (b) real estate markets; (c) relationship between legal cadastre and land cadastre; and (d) information technology.

5. Technology Oversight Group. A technology oversight group (Technology Oversight Group) shall be established as a sub-unit of the PIU, and shall be responsible for supervising and monitoring all technical aspects of Project implementation. The Technology Oversight Group shall be responsible for: (a) reviewing the training programs in automated technology and ensuring that operational staff have acquired the necessary skills; (b) monitoring progress in preparation of the user-interface software; (c) participating in the preparation of tender documents and evaluation of tenders for goods; (d) ensuring adequate information linkages among the participating agencies at the rayon and oblast levels; (e) monitoring delivery and installation of automated systems (delivery and installation will be the responsibility of the supplier under the anticipated contract); and (f) monitoring the effectiveness of technological approaches in the implementation of the Project, with the goal of making recommendations for eventual application of the registration system nationwide.

6. SLC. The SLC shall be responsible for transferring information necessary for the legal cadastre to the registration offices of the MOJ. In cases of initial registration in accordance with the Registration Law this shall include cadastral number of land parcel, location of land parcel, name of owner, name of user, form of tenure, targeted use of the parcel, divisibility or indivisibility of the parcel, parcel area in square meters, servitudes, and encumbrances. The SLC shall also maintain index maps depicting land parcels in relation one to another. For secondary transactions in a registered parcel, the SLC shall be responsible for updating the index maps for the creation of new parcels, the division of an existing parcel into two or more parcels, or the amalgamation of two or more existing parcels into one new parcel.

7. SLC shall implement the map digitization program and shall be responsible for obtaining vectorized base maps, conducting digitization of parcel boundaries, and developing a methodology for the application of digital mapping technology in support of the functions of the registration offices of the MOJ, including the digitization of

the locations of buildings and structures on the maps.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to \$200,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$100,000 until the aggregate amount of withdrawals from the Loan Account, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall be equal to or exceed the equivalent of \$1,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for 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 into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in

accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, 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.

[REDACTED]