

CONFORMED COPY

LOAN NUMBER 4185 RU

Project Agreement

(Bureau of Economic Analysis Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

BUREAU OF ECONOMIC ANALYSIS

Dated July 18, 1997

LOAN NUMBER 4185 RU

PROJECT AGREEMENT

AGREEMENT, dated July 18, 1997, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and BUREAU OF ECONOMIC ANALYSIS (BEA).

WHEREAS (A) by the Loan Agreement of even date herewith between Russian Federation (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount equal to twenty two million six hundred thousand Dollars (\$22,600,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the BEA agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) By a Subsidiary Agreement to be entered into between the Borrower and the BEA, part of the proceeds of the loan provided for under the Loan Agreement will be made available to the BEA on the terms and conditions set forth in said Subsidiary Agreement; and

WHEREAS the BEA, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) The BEA declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end:

(i) shall carry out Parts A and B of the Project with due diligence and efficiency and in conformity with appropriate administrative, and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project; and

(ii) assist, as needed, Goskomstat in respect of procurement and disbursement for Part C of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Bank and the BEA shall otherwise agree, the BEA shall carry out Parts A and B of the Project in accordance with the Operations Manual and the Implementation Program set forth in the Schedule to this Agreement.

Section 2.02. 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 the Loan Agreement.

Section 2.03. (a) The BEA shall carry out 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 the Project Agreement.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the BEA shall:

(i) 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 Bank and the BEA, a plan for the future operation of Parts A and B of the Project;

(ii) afford the Bank a reasonable opportunity to exchange views with the BEA on said plan; and

(iii) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

Section 2.04. The BEA shall duly perform all its obligations under the Subsidiary Agreement. Except as the Bank shall otherwise agree, the BEA shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement or any provision thereof.

Section 2.05. (a) The BEA shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of Loan, or the performance by the BEA of its obligations under this Agreement.

(b) The BEA shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the

purposes of the Loan, or the performance by the BEA of its obligations under this Agreement and under the Subsidiary Agreement.

ARTICLE III

Management and Operations of the BEA

Section 3.01. The BEA shall carry on its operations and conduct its affairs in accordance with sound administrative and financial practices and the Operations Manual under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. The BEA shall at all times operate and maintain its equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, and financial practices.

Section 3.03. The BEA shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 3.04. The BEA shall not amend the Operations Manual, or waive any provision thereof, unless such amendment or waiver is acceptable to the Bank.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The BEA shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The BEA shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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, (A) certified copies of its financial statements for such year as so audited and (B) 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, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of the BEA thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify the BEA thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI)
64145 (MCI)

For BEA:

4, Maly Gnezdnikovsky pereulok
103009 Moscow
Russia

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of the BEA may be taken or executed by the Director General or such other person or persons as the Director General shall designate in writing, and the BEA shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Michael Carter

Acting Regional Vice President
Europe and Central Asia

BUREAU OF ECONOMIC ANALYSIS

By /s/ Yuli Vorontsov

Authorized Representative

Schedule

Implementation Schedule

I. Organization and Management of the BEA

1. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, the BEA shall, at all times, employ a Director General, a Deputy Director General, a Chief Accountant and a Scientific Secretary, whose qualifications and experience shall be acceptable to the Bank.

(b) By December 1 of each year starting in 1998, the BEA shall prepare its organization and staffing plan for the following year, acceptable to the Bank.

2. Annually no later than December 1, the BEA shall prepare its work program for the next following year which shall take into due consideration the Borrower's medium-term economic and structural reform priorities.

II. Budget of the BEA

1. By December 1 of each year, the BEA shall submit to the Bank for review the proposed budget and financing plan of the BEA in such detail as the Bank should reasonably request; such budget and financing plan to identify the expenditures to be financed by the Bank and the Borrower, respectively, during the following year.

2. By December 31 of each year, the BEA shall submit to the Bank its final budget and financing plan, satisfactory to the Bank.

III. Mid Term Review and Performance

The BEA 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 Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about June 30, 2000 a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and (c) review with the Bank, by September 30, 2000 or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.