

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 4692-UA

Loan Agreement

(E-Development Project)

between

UKRAINE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 1, 2003

Public Disclosure Authorized



LOAN NUMBER 4692-UA

LOAN AGREEMENT

AGREEMENT, dated October 1, 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) the Bank has received a letter dated April 7, 2003, from the Borrower describing a program of actions, objectives and policies (the Program) designed to enhance the efficiency of the Borrower's decision-making process for public procurement and documentation flow, foster private sector development, and strengthen the Borrower's civil society through the introduction of innovative models of information and communication technologies (ICT) solutions, and declaring the Borrower's commitment to the execution of the said Program; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through 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) “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;

(b) “Fiscal Year” means the twelve (12) 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;

(c) “Inter-Agency Working Group” means the group established by the Resolution of the Borrower’s Cabinet of Ministers No. 461-r, dated August 17, 2002, and referred to in paragraph 2 of Section I of Schedule 5 to this Agreement;

(d) “MOEIEI” means the Borrower’s Ministry of Economy and Issues of European Integration established and operating pursuant to the Decree of the Borrower’s President No. 1159/2000, dated October 23, 2000, as amended from time to time;

(e) “Monitoring and Evaluation Indicators” means the agreed performance indicators set forth in a letter of even date herewith to be utilized by the Borrower under the Project to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved;

(f) “Operations Manual” means the manual developed by the MOEIEI and adopted by the Project Coordinator (as hereinafter defined in paragraph (g) of this Section), First Deputy State Secretary of the MOEIEI, on June 21, 2002, setting forth the operational procedures and guidelines to be utilized by the MOEIEI in the implementation, monitoring and evaluation of the Project;

(g) “Project Coordinator” means the person authorized by the Order of the MOEIEI No. 81, dated March 22, 2002 to coordinate Project preparation and implementation;

(h) “Project Implementation Unit” and “PIU” means the Project Implementation Unit established within the MOEIEI by the Order of the MOEIEI No. 81, dated March 22, 2002, and referred to in paragraph 1 of Section I of Schedule 5 to this Agreement; and

(i) “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, an amount equal to five million dollars (\$5,000,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a separate special deposit account in a 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, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2006, 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 (\$50,000). On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of 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 February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project through the MOEIEI with due diligence and efficiency and in conformity with appropriate administrative, business, engineering, financial and technical 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, through the MOEIEI, shall 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 the selection and employment of the consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Borrower, through the MOEIEI, 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 the Project.

(b) The Borrower, through the MOEIEI, 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 MOEIEI, shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one (1) year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the 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 MOEIEI, shall prepare and furnish to the Bank a financial monitoring report (FMR), in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for 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 Project implementation, 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 the Project, as of 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 semester 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 semester; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent semester, and shall cover such semester.

Section 4.03. The Borrower shall:

(a) not later than October 31, 2005, submit for the consideration of the *Verkhovna Rada* (Parliament) the proposed legislative framework for on-line transactions, as such framework has been identified in agreement with the Bank under Part B of the Project as necessary to legalize on-line business transactions in the Borrower's territory and thereby complement and ensure the achievement of the objectives of the Project; and

(b) not later than June 30, 2006, take all action required to amend and/or adopt the regulatory and administrative acts necessary for the proper implementation of the legislative framework referred to in the preceding paragraph (a) so as to enable on-line business transactions in the Borrower's territory in a manner consistent with the objectives of the Project.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE VI

Effectiveness; 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 shall have appointed the Project Financial Manager to the PIU under terms of reference and with qualifications satisfactory to the Bank.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance 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
12/2 Hrushevsky St.
Kyiv, 01008
Ukraine

Telex:

131450

Facsimile:

(380-44) 293-6256
(380-44) 201-5684

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) or
64145 (MCI)

Facsimile:

(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/ Kostyantyn I. Gryshchenko
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>	Amount of the Loan Allocated (Expressed in <u>Dollars</u>)	% of Expenditures to be <u>Financed</u>
(1) Goods	100,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 80% of local expenditures for other items procured locally
(2) Consultants' services	4,750,000	100% for foreign consulting firms and foreign individual consultants, 87% for local consulting firms, and 92% for local individual consultants
(3) Operating costs	50,000	100% until December 31, 2004, 80% until December 31, 2005, and 25% thereafter
(4) Front-end fee	50,000	Amount due under Section 2.04 of this Agreement
(5) Unallocated	<u>50,000</u>	
TOTAL	<u>5,000,000</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 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;

(c) the term “consultants’ services” means the services of the consultants to be selected and employed by the Borrower in accordance with the Consultant Guidelines (as hereinafter defined in Part A of Section II of Schedule 4 to this Agreement) for the implementation of the activities to be carried out under the Project;

(d) 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;

(e) 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;

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

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

(h) the term “Operating costs” means expenditures incurred to finance the reasonable and necessary expenses for the operations, administration and ordinary maintenance of the PIU, and which include rent, utilities, office equipment, supplies, software, and the cost of communications, transportation and operational travel of the staff of the PIU.

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: (i) goods, under contracts costing less than \$100,000 equivalent each, excluding those referred to in paragraph 2 (b) of Part D of Section I of Schedule 4 to this Agreement; (ii) services of individual consultants and training, under contracts costing less than \$50,000 equivalent each, excluding those referred to in paragraph 2 (b) of Part D of Section II of Schedule 4 to this Agreement; and (iii) 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 enhance efficiency of the Borrower's decision-making process for public procurement and documentation flow, foster private sector development, and strengthen civil society in the country, all through the introduction of innovative models of Information and Communication Technologies (ICT) solutions.

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: E-Government

Carrying out of a program to develop and introduce a working model for public electronic procurement and for electronic documentation flow aimed at increasing efficiency and transparency of the Borrower's actions in such areas, and encompassing: (i) analysis of the current situation and identification of priorities; (ii) evaluation of different options to implement the desired solutions; (iii) design and development of the selected solutions; (iv) introduction of the developed models; (v) learning of the initial lessons and gathering of feedback from target groups; (vi) fine-tuning of the final version; (vii) evaluation of prospects for replication of models; (viii) comparative analysis of the efficiency of the developed models using control groups; (ix) assessment of the institutional and regulatory changes necessary to maximize efficiency of the developed models; (x) assessment and strengthening of the Borrower's capacity to operate the models so developed; and (xi) provision of the required training, all as it applies specifically to the following activities:

1. design and launch of the most appropriate solution to digitize public procurement for national competitive bidding procedures for goods, works and services in the country, encompassing a legal analysis of the Borrower's procurement legal framework and the proposal of amendments required to facilitate the introduction of Internet-based transactions in the procurement cycle, and the carrying out of a pilot testing in one (1) of the Borrower's state agencies with the larger volume of procurement transactions; and
2. development of the most appropriate model for documentation flow to increase efficiency of the decision-making process (preparation, appraisal, approval, implementation, supervision and completion phases) of the document flow for issuing and monitoring the resolutions and orders of the Borrower's Cabinet of Ministers, extended pilot testing thereof, and introduction of a workflow information system to

allow the secure processing and exchange of e-documents between and within the participating agencies.

Part B: E-Business Environment

Development of a legislative, normative and regulatory environment adequate to accelerate enabling on-line transactions, develop a framework for their introduction, and secure a favorable e-business regulatory environment for the other Parts of the Project, thereby complementing them, on the basis of: (i) a detailed analysis of the Borrower's legislation presently in force; (ii) participatory discussions with the Borrower's relevant agencies and the country private sector; (iii) the identification of, and reporting on, the main bottlenecks in the current legislation that hamper the carrying out of on-line transactions; (iv) the development and introduction of the legal and regulatory acts enabling on-line transactions, including, *inter alia*, on electronic signature, electronic document flow, electronic commerce, intellectual property rights (including copyright) for on-line products and services, and data protection; and (v) the provision of benchmarking data on the market share of on-line business in developed countries.

Part C: Public-Private E-Dialogue

Strengthening of the role and involvement of the private sector and civil society in the Borrower's governance process, through the development and implementation of on-line tools for dialogue between state agencies and representatives of private sector and civil society both at the national and regional levels so as to enhance public management transparency and accountability, including: (i) an assessment of the needs of target groups in on-line information and services and of the existing capacities and needs for their development, assessing in particular the extent of the digital divide in the Borrower's regions; (ii) development and testing approaches and models of on-line tools for public-private dialogue; (iii) establishment of Regional Information Centers (RICs) and development of their business models; (iv) provision of training sessions, seminars, and workshops so as to ensure broad participation and public awareness; (v) gathering of feedback, comments and recommendations for further fine-tuning; and (vi) summarizing and publicizing of the lessons learned therefrom, for which pilot activities will be carried out:

1. at the national level, for the development of tools and models for on-line dialogue between the Borrower's central state agencies and representatives of the private sector and civil society presented by the non-governmental organizations, including the development of a national web portal organized around the needs of different groups of stakeholders and incorporating information about key government services; and

2. at the regional level, for the development and launching in one (1) *Oblast* (region) and one (1) city of a model for on-line dialogue between the citizens and regional administrations, encompassing the creation and maintenance of the *Oblast* and city administrations' web-sites and RICs to provide information about the administrations' planned and completed activities and allow people to communicate with the officials, and provision of assistance by trained RICs personnel.

Part D: Administration and Monitoring

Support to the successful maintenance of the PIU and the Inter-Agency Working Group so as to ensure efficient Project management and maximization of the demonstration effect of the Project by the carrying out of thorough monitoring and evaluation of the Project's activities, including carrying out of the annual audit of the Loan and independent assessments of the developed models, and provision of recommendations for the future dissemination of such models.

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)*</u>
August 15, 2008	145,000
February 15, 2009	145,000
August 15, 2009	145,000
February 15, 2010	150,000
August 15, 2010	150,000
February 15, 2011	150,000
August 15, 2011	155,000
February 15, 2012	155,000
August 15, 2012	155,000
February 15, 2013	155,000
August 15, 2013	160,000
February 15, 2014	160,000
August 15, 2014	160,000
February 15, 2015	165,000
August 15, 2015	165,000
February 15, 2016	165,000
August 15, 2016	170,000
February 15, 2017	170,000
August 15, 2017	170,000
February 15, 2018	175,000
August 15, 2018	175,000
February 15, 2019	175,000
August 15, 2019	180,000
February 15, 2020	180,000
August 15, 2020	180,000
February 15, 2021	185,000
August 15, 2021	185,000
February 15, 2022	190,000
August 15, 2022	190,000
February 15, 2023	195,000

* 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 Goods

Part A: General

Goods required for Project implementation 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, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

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

Part C: Other Procurement Procedures: International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of international 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 requests for price quotations, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods to be procured in accordance with the procedures referred to in Part B of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first two (2) contracts for goods to be procured in accordance with the procedures referred to in Part C of this Section, regardless of the cost thereof, the following procedures shall apply:

- (i) prior to the selection of any supplier, 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, 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; provided, however, that the word "bids" in such paragraph 4 shall be read as "quotations".

Section II. Employment of Consultants

Part A: General

Consultants' services required for Project implementation 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 Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services and training 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.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for audits under Part D of the Project, up to an aggregate amount not to exceed \$30,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services of individual consultants for independent assessments of models developed and for the Project administration and monitoring under Part D of the Project, up to an aggregate amount not to exceed \$320,000 equivalent, shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

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 the 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 each contract for the employment of consulting firms selected in accordance with the provisions of Part B or C.1 of this Section II, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to: (i) the first two (2) contracts for the employment of individual consultants, regardless of the cost thereof; and (ii) each contract for the employment of individual consultants or training estimated to cost the equivalent of \$50,000 or more, the report on the comparison of the qualifications and experience of the candidates and the 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.

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.

SCHEDULE 5

Implementation Program

Section I: Organizational Arrangements

1. Project Implementation Unit

The Borrower, through the MOEIEI, shall maintain the PIU throughout Project implementation provided with financial and human resources adequate to enable it to carry out its responsibilities under the Project under arrangements satisfactory to the Bank. In particular, the PIU shall be responsible for: (i) drafting the relevant Project documents and securing their approval from the Borrower and the Bank; (ii) preparing and organizing the procurement procedures for goods and the selection and employment procedures for consultants' services to be financed under the Loan; (iii) preparing the documents required for the disbursement of the proceeds of the Loan; (iv) monitoring of the services provided by the consultants and making any recommendations that may be required to improve their performance; (v) preparation of audits required under the Loan Agreement; and (vi) engaging the different stakeholders to ensure the Borrower adopts a participatory approach in the carrying out of the Project.

2. The Borrower, through the MOEIEI, shall maintain the Inter-Agency Working Group throughout Project implementation composed of representatives from the Borrower's state agencies responsible for providing quality control and serving as a policy dialogue facility in charge of coordinating the work of the agencies involved in Project implementation.

3. The Borrower, through the MOEIEI, shall take all action required to ensure that the Operations Manual is applied and followed at all times in the implementation, monitoring and evaluation of the Project, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Operations Manual or any provision thereof.

Section II: Project Monitoring and Evaluation

1. Mid-Term Review

The Borrower, through the MOEIEI, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring and Evaluation indicators 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 March 1, 2005, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by May 1, 2005, 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.

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 the amount of \$300,000 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 the amount of \$90,000 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 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 Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

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

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

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

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

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

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

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

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

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

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