Mr. Mikhail Mamuta  
President  
Russian Microfinance Center  
Suschevskaya Street 8-12, Room 322, 127030 Moscow  
Russian Federation  

Re: Consultative Group to Assist the Poor (CGAP) Grant No. TF097646  
Grant for Policy Advisory Initiative Project  

Dear Mr. Mamuta:  

In response to the request for financial assistance made on behalf of the Russian Microfinance Center (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association (“World Bank”), acting as administrator of grant funds provided by various donors (“Donors”) under the Multi-donor Trust Funds (TF053676) for the Consultative Group to Assist the Poor (“CGAP”), proposes to extend to the Recipient for the benefit of the Russian Federation (“Member Country”), a grant in an amount not to exceed two hundred seventy five thousand United States Dollars (U.S.$275,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the Policy Advisory Initiative Project described in the Annex (“Project”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.  

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Tilman D. Ehrbeck
By____________________
Tilman D. Ehrbeck
CGAP CEO and World Bank Group Director
Consultative Group to Assist the Poor
World Bank

AGREED:

THE RUSSIAN MICROFINANCE CENTER

By_____/s/ Mikhail Mamuta______
Authorized Representative

Name _______________________
Title _____President___________
Date: ____November 8, 2010_____

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
(2) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to promote a favorable and enabling legal and regulatory environment for all types of microfinance organizations, which will foster the growth of microfinance in Russia and thereby contribute to overall economic and social development.

The Project consists of the following parts:

(a) Carrying out analysis of the Member Country’s legislation and develop proposals on microfinance-related legal and regulatory issues;

(b) Provide Expert (as hereinafter defined) advice to the participating stakeholders on proposed new changes to microfinance laws of the Member Country.

(c) Carrying out Policy Forums (as hereinafter defined) to generate comprehensive knowledge on legal and regulatory policies relevant to the microfinance activities.

(d) Carrying out dissemination activities for the selected participating stakeholders on sound legal and regulatory policies including recommendations of the Working Group (as hereinafter defined).

2.02. **Project Execution Generally.** (a) The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants” dated October 15, 2006 (“Anti-Corruption Guidelines”), with the modifications set forth in Section I of the Appendix to this Agreement; and (c) this Article II.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Recipient shall carry out the Project in accordance with the Work Plan (“Work Plan”) and correlated budget, as agreed upon by the World Bank and the Recipient, as may be amended from time to time with the prior approval of the World Bank and in accordance with this Agreement. Without limiting the generality of the foregoing: (i) the Work Plan shall be structured to correspond with the quarterly informational reports as referred to in Section 2.05 (c) of the Annex; and (ii) the World Bank shall be afforded an opportunity to approve in advance such
Work Plan, and may be amended from time to time with a prior written approval of the World Bank.

2.03. **Institutional and Other Arrangements.**

Without limitation upon the provisions of paragraph 2.02 above, the Recipient shall carry out the Project in accordance with the institutional and other arrangements as follows:

(a) **Project Implementation Team**

The Recipient shall establish and maintain, at all times during the implementation of the Project, a Project implementation team with the functions, responsibilities, qualifications, and expertise satisfactory to the World Bank. The Project implementation team shall be responsible for the day to day implementation of the Project.

(b) **Working Groups, Consultation, Expert Discussions, and Policy Forums**

(i) **Working Groups**

The Recipient shall convene and manage ad-hoc working groups on microfinance-related legal and regulatory issues (Working Groups), led by the external experts to be identified and approved together by Recipient and the World Bank (collectively, Experts.) These Working Groups will include participation by such other professionals as the Experts, together with the Recipient, deem best qualified to contribute to the activities of the Working Groups. The Working Groups will conduct legislation analysis and develop relevant proposals, and will be convened for the Project activities agreed upon by the World Bank and the Recipient through the Work Plan. The Working Groups will meet as frequently as deemed appropriate by the Experts and the Recipient.

(ii) ** Provision of Consultation on Regulatory and Supervision Matters Related to Microfinance**

The Recipient shall provide expert-level advice, utilizing both staff and local consultants, on proposed changes to microfinance regulation and supervision in the Member Country. This advice shall seek to help assure that changes to current regulations support the Project goal of promoting a favorable and enabling legal and regulatory environment for all types of microfinance organizations, which will foster the growth of microfinance in Russia and thereby contribute to overall economic and social development.

(iii) **Expert Discussions**

The Recipient shall convene expert discussions with representatives of the Member Country’s microfinance market in order to gather their views on legal and regulatory topics identified by the Working Group (Expert Discussions). The objective of the Expert Discussions is to generate comprehensive knowledge about how legal and regulatory policy issues affect market participants and provide a forum for discussion. The findings of the Expert Discussions will provide the Working Group with information to tailor its legal and regulatory policy work to the specific needs of the Russian market. Expert Discussions will
be convened as frequently as deemed appropriate by the Recipient and the Working Group. Dates, topics, participants and planned activities of the Expert Discussions will be coordinated with and approved by the World Bank and included in the Work Plan.

(iv) Policy Forums

The Recipient shall convene policy forums with government representatives to discuss legal and regulatory topics identified by the Working Group (Policy Forums). The invited representatives will be members of institutions that are involved in the formulation of microfinance policy including, without limitation, the State Duma, the Ministry of Finance, the Central Bank and the Ministry for Economic Development. The Policy Forums will also be attended by members of the Working Group but will be open to the participation of any other individuals the Recipient and the Working Group deem appropriate. The objective of the Policy Forums is to disseminate knowledge about sound legal and regulatory policy relating to microfinance to government officials, providing needed recommendations and advice supported by the work conducted by the Working Group and the Expert Discussions. Policy Forums will be convened as frequently as deemed appropriate by the Recipient and the Working Group. Dates, topics, participants and planned activities of the Policy Forums will be coordinated with and approved by the World Bank and included in the Work Plan.

2.04. Donor Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly Donors’ support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Member Country’s territory for purposes related to the Project.

2.05. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed with the World Bank. Each Project Report shall cover the period of one calendar quarter, and shall be submitted to the World Bank for approval in draft at least two weeks prior to being furnished to the World Bank, which shall occur not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be submitted to the World Bank for approval in draft at least two weeks prior to being furnished to the World Bank, which shall occur no later than 45 days after the Closing Date.

(c) The Recipient shall prepare for the World Bank quarterly informational reports in form and content satisfactory to the World Bank that provide additional detail not contained in the Project Reports. The quarterly informational reports shall be submitted to the World Bank as part of the Project Reports.
2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report, covering the previous calendar quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All services (including non-consulting services) required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements or referred to in:

(i) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”)  

(ii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by World Bank of particular contracts, refer to the corresponding method described in the Consultant Guidelines.

(c) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source Selection; (E) Established Private or Commercial Practices which have been found acceptable to the World Bank; and (F) Selection of Individual Consultants.

(d) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ services, Training and Workshops, and Operating Costs</td>
<td>275,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

TOTAL AMOUNT 275,000

For the purpose of above paragraph, the terms:

(a) “Operating Costs” means operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, but excluding salaries of officials of the Member Country’s civil service; and

(b) “Training and Workshops” means the reasonable cost of: (i) training materials and rental of training facilities and equipment; (ii) tuition fees, travel, accommodation and *per diem* of trainers and trainees; and (iii) any other expenses related to training (including study tours and workshops) to be carried out under the Project.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of the Agreement by the Recipient, except for withdrawals up to an aggregate amount not to exceed US$50,000 equivalent may be made for payments made prior to this date but on or after July 1, 2010, for Eligible Expenditures under the Project.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2012.
Article IV
Additional Remedies

4.01. **Additional Events of Suspension.** The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

(a) an extraordinary situation has arisen which makes it improbable that the Project or a significant part of it will be carried out; and

(b) The law or decree establishing the Recipient shall have been amended, abrogated, repealed, or waived so as, in the opinion of the World Bank, to materially or adversely affect the ability of the Recipient to perform any of its obligations in the pursuit of the objective of the Project.

Article V
Recipient’s Representative; Addresses

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.01 of the Standard Conditions is the President.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.02 of the Standard Conditions is: The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Russian Microfinance Center
Suschevskaya Street 8-12, Room 322
127030 Moscow
Russian Federation

Telephone: (+7-495) 258-8705

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD
Telex: INDEVAS 248423 (MCI) or 1-202-477-6391
Facsimile: Washington, D.C. 64145 (MCI)
APPENDIX
Modifications to the Anti-Corruption Guidelines

Section I  The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

   “…(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

   “… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”