
LOAN NUMBER 8475-UA

Loan Agreement

(Serving People, Improving Health Project)

between

UKRAINE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *March 19*, 2015

LOAN NUMBER 8475-UA

LOAN AGREEMENT

Agreement dated *March 19*, 2015, between UKRAINE (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of two hundred fourteen million seven hundred twenty-nine thousand eight hundred thirty-seven United States Dollars (\$ 214,729,837), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-

payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

- 2.06. The Payment Dates are February 15 and August 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall: (a) through MOH, cause Part 1 of the Project to be carried

out by Selected Oblasts; and (b) carry out Parts 2 and 3 of the Project through MOH, all in accordance with the provisions of Article V of the General Conditions.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely, that any of the Selected Oblasts shall have failed to perform any of its obligations under its respective Oblast Sub-Project Subsidiary Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) At least five (5) Oblast Sub-Project Subsidiary Agreements have been executed by the Borrower, through MOH, and the Selected Oblasts.
 - (b) The POM, referred to in paragraph 1(a) of Section I.B of Schedule 2 to this Agreement, has been finalized and adopted by MOH, and each Selected Oblast that has executed an Oblast Sub-Project Subsidiary Agreement under paragraph (a) above has confirmed its obligation to comply with the POM.
 - (c) The Borrower's Cabinet of Ministers has approved the Subvention Resolution referred to in paragraph 1(a) of Section I.D of Schedule 2 to this Agreement.
 - (d) An automated accounting system, satisfactory to the Bank, is in place at the PSCU.
- 5.02. The Additional Legal Matters consist of the following, namely, that the Oblast Sub-project Subsidiary Agreements referred to in Section 5.01(b) of this Agreement have been duly authorized or approved by the Borrower, acting through MOH, and the Selected Oblasts and are legally binding upon the Borrower, acting through MOH, and such Selected Oblasts in accordance with their terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Finance.

6.02. The Borrower's Address is:

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

Facsimile:

(380-44) 425-90-26

(380-44) 277-54-82

6.03. The Bank's Address is:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

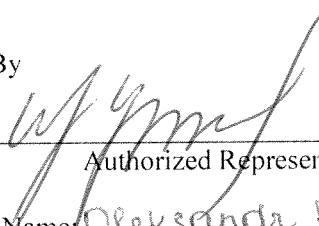
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64145(MCI)

1-202-477-6391

AGREED at Kiev, Ukraine, as of the day and year first above written.

UKRAINE

By

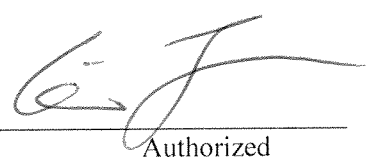

Authorized Representative

Name: Oleksandr Kvitashvili

Title: Minister of Health

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By


Authorized

Representative

Name: Qimiao Fan

Title: Country Director
for Belarus, Moldova and
Ukraine

SCHEDULE 1

Project Description

The objectives of the Project are to improve the quality of health services in selected oblasts, with special focus on primary and secondary prevention of cardiovascular diseases and cancer, and to enhance the efficiency of the health care system.

The Project consists of the following parts:

Part 1. Improving service delivery at the local level

Provision of financing (“Oblast Sub-project Financing”) to Selected Oblasts to carry out investment sub-projects approved by the Bank and aimed at prevention, early detection and treatment of cardiovascular diseases and cancer and at increasing efficiency of their health care delivery system (“Oblast Sub-projects”), including activities focused on improving primary health care; fighting cardiovascular diseases at the primary and secondary care levels; on early cancer detection; and on delivery system rationalization.

Part 2. Strengthening Ministry of Health governance

Development and implementation of measures to strengthen MOH’s internal governance and stewardship over the health system, and in addition, ensure proper coordination of Oblast level initiatives in the areas of financing as well as electronic health (“e-health”) development, public health, capacity building, communication, including:

- (a) Development of a new hospital payment system based on Diagnostic Related Groups, (a statistical system of classifying any inpatient stay into groups for the purposes of payment) and by piloting the new hospital payment system, designing a new health financing strategy and designing the necessary legal and institutional framework to support the new health financing system.
- (b) Improvement of information management system in the health care sector through, *inter alia*, creation of a new e-health development framework that defines the responsibilities, authority and incentives for e-health policy making, regulation and standardization, health information analytics and clinical data management, and health information systems implementation and deployment at the national and regional levels; establishment of e-health national compulsory standards and regulations; and strengthening the capacity of health and information technology specialists.
- (c) Provision of support for the preparation of a new public health strategy and action plan to: coordinate and further stimulate NCD primary prevention strategies implemented at the local level; strengthen disease surveillance with focus on NCDs; and implement

primary prevention activities in the areas of tobacco and alcohol control and promotion of healthy life-styles.

(d) Establishment of a uniform system of external communications to ensure: (i) comprehensive coverage of health care reforms and (ii) access to information on health care programs and the performance of health care facilities through, *inter alia*, surveying of target audiences, defining key messages and channels of communication, development and implementation of an action plan for public awareness campaigns and provision of media training for relevant staff.

(e) Organization and delivery of learning events at the national level focused on services' quality improvement, specifically on cardiovascular diseases and cancer, and build capacity for the implementing agencies (that is, MOH and Selected Oblasts) with focus on managerial issues and facilitate continuous learning in the concerned selected Oblasts through learning events and exposure to lessons from international experiences.

Part 3. Project management, and monitoring and evaluation

Provision of support for Project management, implementation and monitoring and evaluation at the national and Oblast levels, including:

(a) Provision of technical and fiduciary support to MOH and Selected Oblasts (including the carrying out of necessary technical audit of the key Project activities and investments).

(b) Provision of technical assistance to strengthen monitoring and evaluation systems at the national and regional levels through, *inter alia*, the carrying out of audit of medical records on a sample basis, conducting ad hoc household and facility surveys, and organization of learning events.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through MOH:
 - (a) Shall operate and maintain and cause to be operated and maintained, the following during the implementation of the Project:
 - (i) The central Project Consultancy Support Unit (“PCSU”) within MOH, responsible for day-to-day supervision of Project implementation and provision of technical support for Project implementation.
 - (ii) The Project Coordination Unit (“PCU”), comprising managers of relevant MOH units or subordinated agencies and headed by the Deputy Minister of MOH and responsible of providing guidance and making strategic decisions concerning implementation of Parts 2 and 3 of the Project.
 - (b) Shall cause the following to be established and thereafter, operated and maintained during the implementation of the Project: a Sub-project Management Unit (“SMU”) within the Health Department of each Selected Oblast to be responsible for day-to-day implementation of the Oblast Sub-project (including conducting procurement and financial management) with staffing (including consultants to assist existing staff) on terms of reference and with qualifications satisfactory to the Bank to carry out the functions of a financial management specialist, a procurement specialist, a technical expert/safeguards specialist and any other specialist as needed.

B. Project Operations Manual

1. The Borrower, through MOH, shall:
 - (a) for purposes of guiding Project implementation, develop a Project Operations Manual, satisfactory to the Bank, (“POM”) setting out, *inter alia*:
 - (i) policies and procedures relating to Project implementation;

- (ii) financial management arrangements, requirements and detailed procedures consistent with the provisions of Section II.B of this Schedule 2;
 - (iii) guidelines and procedures for procurement consistent with the provisions of Section III of this Schedule 2; and
 - (iv) safeguard obligations consistent with the provisions of Section I.E of this Schedule 2 and requirements under the Anti-Corruption Guidelines;
- (b) carry out the Project, and cause the Project to be carried out, in a timely manner and in accordance with the provisions of the Project Operations Manual; and
- (c) not amend or waive, or permit to be amended or waived said manual or any provisions thereof, except with the prior written approval of the Bank.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Implementation of Part 1 of the Project

1. For purposes of implementing Part 1 of the Project, the Borrower shall:

Subvention for Oblast Sub-projects

- (a) Take all measures necessary for the proceeds of the Loan allocated in Category (1) to be transferred from the state budget to the Selected Oblasts' budget (in the case of Vinnitsa Oblast, the transfer, in part, will be to Vinnitsa City Council) for the purpose of implementing Oblast Sub-projects via the subvention mechanism and to that end, the Borrower shall furnish to the Bank the Subvention Resolution.

Oblast Sub-Project Subsidiary Agreement

- (b) To facilitate and regulate the carrying out of each Oblast Sub-project, the Borrower shall:
 - (i) make the proceeds of the Loan allocated under Category (1) available through subvention (on a non-repayable basis) to the Selected Oblast concerned only after an agreement has been entered between the Borrower (through MOH) and each Selected Oblast, on terms and conditions approved by the Bank, which shall include the terms and conditions set forth in Schedule 4 to this Agreement and which proceeds shall be used to

pay the reasonable costs of goods, works, non-consulting services, consultants' services and Operating Costs incurred or to be incurred by the Selected Oblast concerned in carrying out its Oblast Sub-project; and

- (ii) exercise its rights under each Oblast Sub-Project Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce any Oblast Sub-Project Subsidiary Agreement or any of its provisions.

E. Environmental Safeguards

1. The Borrower shall ensure, and cause the Selected Oblasts to ensure, that the Project activities and Oblast Sub-project activities are carried out in accordance with the EMF, and any site specific EMPs, including the guidelines, rules and procedures defined in said instruments. To that end, the Borrower shall ensure, and shall cause the Selected Oblasts to ensure, that the following actions are taken in a manner acceptable to the Bank:
 - (a) if an Environmental Management Plan would be required for any Project activity, Oblast Sub-project activity or investment on the basis of the EMF:
 - (i) such EMP shall be prepared in accordance with the requirements of the EMF, disclosed locally and furnished to the Bank; (ii) adequate and meaningful consultations shall be carried out on said EMP; and (iii) the activities or investment shall be carried out in accordance with such EMP; and
 - (b) without limitation to the provisions in paragraph 2 below, no works shall be commenced on any site until all measures required to be taken under the EMP prior to the initiation of said works have been taken in a manner acceptable to the Bank.
2. The Borrower shall ensure, and cause the Selected Oblasts to ensure, that no works under the Project and Oblast Sub-project involve the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas.
3. The Borrower, through MOH, shall cause the Selected Oblasts to ensure that the terms of reference of any consultancy in respect to Part 2(c) of the Project shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank's Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts

refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2; (b) Shopping; and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

1. The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.
2. The Borrower shall:
 - (a) No later than December 31 of every year during the implementation of the Project, beginning on December 31, 2015, prepare and furnish to the Bank a procurement progress report (Procurement Progress Report), prepared in

accordance with terms of reference acceptable to the Bank, including: (i) a description of issues arising during the full procurement cycle under the Project, from design through planning, bidding, contract implementation and completion; (ii) a list of proposed measures and actions to be taken to resolve the issues identified under (i) above; and (iii) a proposed timeline for the implementation of the said measures and actions.

- (b) No later than January 31 of every year during the implementation of the Project, beginning on January 31, 2016, exchange views with the Bank on the results of the Procurement Progress Report completed for the Borrower's previous calendar year and thereafter implement such recommended measures, as agreed with the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services and Operating Costs for Part 1 of the Project to be implemented by:		
(a) Vinnitsa Oblast (state administration and city council)	32,850,400	

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(b) Volyn Oblast	30,000,000	100%
(c) Dnipropetrovsk Oblast	40,000,000	
(d) Zakarpattia Oblast	6,529,600	
(e) Zaporizhzhya Oblast	4,000,000	
(f) Lviv Oblast	10,150,000	
(g) Poltava Oblast	41,000,000	
(h) Rivne Oblast	25,000,000	
(2) Goods, works, non-consulting services, consultants' services and Operating Costs for Part 2 of the Project	20,200,000	100%
(3) Goods, non-consulting services, consultants' services and Operating Costs for Part 3 of the Project	4,463,012	100%
(4) Front-end Fee	536,825	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.08(c) of this Agreement
<u>TOTAL AMOUNT</u>	<u>214,729,837</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

- (a) for payments made prior to the date of this Agreement; or
 - (b) for payments under Category (1) to finance the Oblast Sub-project to be implemented by a Selected Oblast, unless:
 - (i) the Oblast Sub-Project Subsidiary Agreement related to the relevant Selected Oblast has been executed by the parties thereto and a legal opinion, satisfactory to the Bank, has been provided by counsel acceptable to the Bank, confirming that such Oblast Sub-Project Subsidiary Agreement has been duly authorized or approved by the aforementioned parties to the Oblast Sub-Project Subsidiary Agreement and is legally binding upon said parties in accordance with its terms; and
 - (ii) the relevant Selected Oblast has confirmed its obligation to comply with the POM, in form and substance satisfactory to the Bank.
2. The Closing Date is September 30, 2020.

ANNEX
to
SCHEDULE 2

**Mandatory Provisions for Procurement under
Bank-Financed Contracts Subject to National Competitive Bidding**

The procedure to be followed for National Competitive Bidding (“NCB”) shall be the Open Tender Procedure set forth in the Law on Public Procurement No. 1197-VII, dated April 10, 2014 (the PPL), provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” dated January 2011 (revised July 2014) (the “Procurement Guidelines”) and the following additional provisions:

- (i) Bidding Documents, acceptable to the Bank, shall be used.
- (ii) The eligibility of bidders to participate in a procurement process and to be awarded a Bank-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Bank for reasons other than those provided in Section I of the Procurement Guidelines.
- (iii) After the public opening of the bids, information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards shall not be disclosed to bidders or other persons not officially concerned with this process until the publication of the contract award notice.
- (iv) Qualification criteria shall be clearly specified in the bidding documents. Qualification shall be assessed on a “pass or fail” basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant; (iii) capability of construction and/or manufacturing facilities. The availability of equipment, material and technical basis, including owning production facilities and/or service centers within the territory of Ukraine shall not be required as part of qualification requirements.
- (v) Government-owned enterprises are eligible to bid only if they (i) are legally and financially autonomous, (ii) operate under commercial law, and (iii) are not dependent agencies of Borrower or Sub-Borrower.

- (vi) Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation.
- (vii) If required, bid security amount shall not exceed two percent (2%) of the estimated cost of the contract.
- (viii) No advance payments shall be made to contractors/suppliers without a suitable advance payment security.
- (ix) No domestic preference shall be granted in bid evaluation on the basis of bidder nationality, origin of goods or services, and/or preferential programs. Contracts shall be awarded to the qualified bidder whose bid has been determined: (i) to be substantially responsive to the bidding documents, and (ii) to offer the lowest-evaluated cost. A bidder shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
- (x) No bid shall be rejected on the basis of a comparison with the employer's estimate or budget allocation ceiling without the Bank's prior concurrence.
- (xi) All bids (including in the case when less than two bids are received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Bank's prior concurrence.
- (xii) Restrictions to the contract amendments, as contemplated under Article 40 of the PPL will not apply. With respect to contracts subject to the Bank's prior review, the Borrower shall obtain the Bank's no objection before agreeing to: (a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) any variation order or amendment which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (d) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Bank.
- (xiii) The bidding document and contract as deemed acceptable by the Bank shall include provisions stating the Bank's policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.
- (xiv) In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Bank financing shall provide that bidders, suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers, or suppliers to permit the Bank to inspect all accounts, records and other documents relating to the

bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. Acts intended to materially impede the exercise of the Bank's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Guidelines.

SCHEDULE 3

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each February 15 and August 15 Beginning August 15, 2020 Through August 15, 2037	2.78%
On February 15, 2038	2.70%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as

withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
- 4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
- 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 4

Principal Terms and Conditions of Oblast Sub-Project Subsidiary Agreements

The following terms and conditions shall apply for the purposes of the Oblast Sub-Project Subsidiary Agreements to be entered into pursuant to paragraph 1(b) of Section I.D to of Schedule 2 to this Agreement:

1. Terms of Subsidiary Financing

The Borrower shall undertake to:

- (a) make available to each of the Selected Oblasts the proceeds of the Loan allocated under Category (1) ("Oblast Sub-project Financing") and such Oblast Sub-project Financing shall be provided through subvention (on a non-repayable basis) to the Selected Oblasts; and
- (b) to that end, within ten (10) business days from receipt in the applicable Designated Account of Loan proceeds allocated under said Category, transfer said Loan proceeds to the local currency account ("Transit Account") of the Selected Oblast concerned.

2. Conditions

Each Selected Oblast shall undertake to carry out the following and cause the following to be carried out:

- (a) Establish and thereafter, maintain its Sub-project Management Unit ("SMU") within its Health Department to be responsible for day-to-day implementation of Oblast Sub-projects (including conducting procurement and financial management) with staffing (including consultants to assist existing staff) on terms of reference and with qualifications satisfactory to the Bank to carry out the functions of a financial management specialist, a procurement specialist, a technical expert/safeguards specialist and any other specialist as needed.
- (b) Carry out its Oblast Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Project Operations Manual and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower.
- (c) Provide, promptly as needed, funds, facilities, services and other resources required for its Oblast Sub-project, including ensuring that sufficient annual allocations will be made in its budget for its respective counterpart contribution to the cost of its Oblast Sub-project.

(d) Procure goods, works, non-consulting services and consultants' services to be financed out of the Oblast Sub-project Financing in accordance with the provisions of this Agreement, and ensure that all such goods, works and services are used exclusively for the purposes of the Project and that all facilities relevant to the Oblast Sub-project shall at all times be properly operated and maintained with all necessary repairs and renewals of such facilities being made promptly as needed.

(e) Maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Project and the achievement of its objectives.

(f) Maintain adequate records and accounts relating to the implementation of its Oblast Sub-project, enable the Borrower and the Bank to inspect the infrastructure being constructed thereunder and goods being procured for the Oblast Sub-project, its operation and relevant records and documents, and provide all such information the Borrower and/or the Bank may reasonably request relating to the foregoing.

(g) Implement, and cause to be implemented the EMF, and any site specific EMPs, including the guidelines, rules and procedures defined in said instruments. To that end, the Selected Oblast concerned shall ensure, that the following actions are taken in a manner acceptable to the Borrower and the Bank:

- (i) if an Environmental Management Plan would be required for any Project activity or investment on the basis of the EMF: (i) such EMP shall be prepared in accordance with the requirements of the EMF, disclosed locally and furnished to the Bank; (ii) adequate and meaningful consultations shall be carried out on said EMP; and (iii) the activities or investment shall be carried out in accordance with such EMP; and
- (ii) without limitation to the provisions in paragraph (i) below, no works shall be commenced on any site until all measures required to be taken under the EMP prior to the initiation of said works have been taken in a manner acceptable to the Bank.

(h) Ensure that no works under its Oblast Sub-project involve the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas.

(i) With respect to infrastructure assets financed with the Oblast Sub-project Financing: (i) take legal ownership of said assets; and (ii) be responsible for planning and managing the operation and maintenance of said assets including, mobilization of human resources and funds therefor, all in a manner acceptable to the Bank.

(j) Give the Borrower rights adequate to protect the Borrower's interests and those of the Bank, including the right to: (i) suspend or terminate the right of a Selected Oblast to use the proceeds of the Oblast Sub-project Financing; and/or (ii) obtain a refund of all or any part of the amount of the Oblast Sub-project Financing then withdrawn, upon a Selected Oblast's failure to perform any of its obligations under the Oblast Sub-Project Subsidiary Agreement.

APPENDIX

Section I. Definitions

- (a) “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
- (b) “Bank’s Safeguards Policies” means the Bank’s operational policies and procedures, set forth in the Bank’s operational manual and identified as OP/BP 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60, as said manual is published under www.WorldBank.org/opmanual.
- (c) “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
- (d) “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
- (e) “EMF” means the environmental management framework prepared by the Borrower, for the Project dated November 7, 2014, acceptable to the Bank and disclosed in the Bank’s Infoshop, being the framework setting forth the modalities for site-specific environmental screening and procedures/actions for the preparation and implementation of environmental assessments and EMPs under the Project, setting forth the set of mitigation, monitoring, and institutional measures and procedures required under the Project, in order to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures, as the same may be amended from time to time with the agreement of the Bank.
- (f) “Environmental Management Plan” or “EMP” means any site-specific environmental management plan or EMP checklist set out in Annex 4 to the EMF, prepared in accordance with the EMF and the provisions of paragraph 1 of Section I.E of Schedule 2 to this Agreement and acceptable to the Bank, and setting out details of the specific actions, measures and policies designed to facilitate the achievement of the objective of the EMF, the mitigating, monitoring and institutional measures to be taken during the implementation and operation of Project activities and the Oblast Sub-projects to offset or reduce adverse environmental impacts to levels acceptable to the Bank, including the budget and cost estimates, and sources of funding, along with the institutional and procedural measures needed to implement such actions, measures and policies.

- (g) “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
- (h) “MOF” means the Ministry of Finance of the Borrower and any successor thereto.
- (i) “MOH” means the Ministry of Health of the Borrower and any successor thereto.
- (j) “NCD” means non communicable disease.
- (k) “Oblast” means a territorial administrative unit of the Borrower.
- (l) “Oblast Sub-project” means any investment sub-project described in Part 1 of the Project, approved by the Bank to be carried out by Selected Oblasts and set out more specifically in the Project Operations Manual.
- (m) “Oblast Sub-Project Subsidiary Agreement” means any of the agreements referred to in paragraph 1(b) of Section I.D of Schedule 2 to this Agreement.
- (n) “Oblast Sub-project Financing” means proceeds of the Loan allocated in Category (1) to be made available to the respective Selected Oblast pursuant to its signed Oblast Sub-Project Subsidiary Agreement for purposes for implementing its Oblast Sub-project.
- (o) “Operating Costs” means the reasonable and necessary incremental expenditures of the PCSU and SMU related to the management and implementation of the Project, all based on periodic budgets acceptable to the Bank, including on account of vehicle rental; miscellaneous utilities; stationary and office supplies and equipment; operation, maintenance and spare parts of equipment; consumables; transportation; local travel; communication and advertisement costs but excluding salaries of officials and employees of the Borrower’s civil services.
- (p) “PCSU” means the Project Consultancy Support Unit established within MOH and referred to in paragraph 1(a) of Section I.A of Schedule 2 to this Agreement, or any successor thereto acceptable to the Bank.
- (q) “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
- (r) “Procurement Plan” means the Borrower’s procurement plan for the Project, dated December 18, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

- (s) “Project Operations Manual” or “POM” means the operations manual adopted by MOH and each of the Selected Oblast and referred to in paragraph 1(a) of Section I.B of Schedule 2 to this agreement, as said manual may be amended from time to time with the agreement of the Bank;
- (t) “PCU” means the Project Coordination Unit established with by Order No. 901 “On organization of implementation of health system reform project in Ukraine at the expense of the World Bank grant and investment loan” dated October 22, 2013 and referred to in paragraph 1(a)(ii) of Section I.A of Schedule 2 to this Agreement.
- (u) “Subvention Resolution” means a Cabinet of Ministers Resolution providing for the mechanism of transfer from the state budget to the local budget thereby enabling the inter-governmental transfer of the proceeds of the Loan referred to in paragraph 1(a) of Section I.D of Schedule 2 to this Agreement.
- (v) “Selected Oblasts” means, collectively: (i) the state administration of Vinnitsa Oblast, Volyn Oblast, Rivne Oblast, Poltava Oblast, Dnepropetrovsk Oblast, Lviv Oblast, Zakarpatya Oblast, and Zaporizhya Oblast; (ii) the state administration of any other Oblast selected by the Borrower with the agreement of the Bank to participate in the implementation of Part 1 of the Project; and (iii) Vinnitsa City Council, and “Selected Oblast” means any of the Selected Oblasts.
- (w) “SMU” means the Sub-project Management Unit to be established within the Health Department of each Selected Oblast and referred to in paragraph 1(b) of section I.A of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01(a).
6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable

upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.

