
LOAN NUMBER 8391-UA

Loan Agreement

Second Urban Infrastructure Project
(Urban Infrastructure Project – 2)

between

UKRAINE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *May 28*, 2014

LOAN AGREEMENT

Agreement dated May 26, 2014, between UKRAINE ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS: (A) The Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 1 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) by an agreement of even date herewith ("CTF Loan Agreement"), the Bank, acting as the implementing agency of the Clean Technology Fund ("CTF") has agreed to make a loan ("CTF Loan") to the Borrower in the amount of fifty million Dollars (\$50,000,000) to assist in financing Part 1 of the Project on the terms and conditions set forth in the CTF Loan Agreement; 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;

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 three hundred million Dollars (\$300,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 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 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 days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(e) of the General Conditions.

- 2.05. The Payment Dates are June 15 and December 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (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 Minregion, cause Part 1 of the Project to be carried out by the Utility Companies ("Project Implementing Entities"); and (b) carry out Parts 2 and 3 of

the Project through Minregion, all in accordance with the provisions of Article V of the General Conditions and each Project Agreement.

- 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 a Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of such Project Implementing Entity to perform any of its obligations under the Project 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 eight (8) Project Agreements have been executed on behalf of the Bank and eight (8) Utility Companies.
 - (b) At least five (5) Subsidiary Agreements have been executed on behalf of the Borrower and five (5) Utility Companies.
 - (c) The Operations Manual, in form and substance satisfactory to the Bank, has been finalized and adopted by Minregion, by each Utility Company that has executed a Project Agreement under paragraph (a) above, and by each Utility Company that has executed a Subsidiary Agreement under paragraph (b) above.
 - (d) The CTF Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness and to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been satisfied or waived by the Bank.
- 5.02. The Additional Legal Matters consist of the following: (a) the Project Agreements referred to in Section 5.01(a) have been duly authorized or approved by the respective Utility Companies and are legally binding upon such Utility Companies in accordance with its terms; and (b) the Subsidiary Agreements referred to in Section 5.01(b) have been duly authorized or approved by the Borrower and the respective Utility Companies and are legally binding upon the Borrower and such Utility Companies in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

- 5.04. Any amendment to this Agreement shall be executed by agreement of the parties hereto in accordance with the provisions of Section 10.02 of the General Conditions. Such amendment shall become effective as set forth in the amending 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.

248423(MCI) or
64145(MCI)

1-202-477-6391

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

UKRAINE

By



Authorized Representative

Name: Grygoriy Semchuk

Title: Deputy Minister of
Regional Development,
Construction, Housing and
Communal Services of Ukraine - Chief
of Staff
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Gimiao Fan

Title: Country Director
Belarus, Moldova and
Ukraine

SCHEDULE 1

Project Description

The objective of the Project is to improve the quality and efficiency of water, wastewater, and solid waste services in selected cities in Ukraine.

The Project consists of the following parts:

Part 1. Urban Infrastructure Improvement

Implementation of selected investment in the rehabilitation and upgrading of priority infrastructure specified in a Utility Company's Investment Program, with specific focus on water supply, wastewater, and solid waste sectors and including:

(a) rehabilitation and upgrading of water supply systems; rehabilitation and upgrading of existing wastewater and sludge treatment facilities; provision of goods for water treatment systems, pumping stations, operations and maintenance and technical assistance for detailed designs and tender documents and construction supervision; and

(b) rehabilitation, construction and management of solid waste landfills.

Part 2: Institutional Strengthening and Capacity Building

(a) Provision of technical assistance to strengthen, at the sub-national level, the capacity and efficiency of municipalities/cities and utility entities to operate and manage their water supply, wastewater and solid waste infrastructure and systems, including (i) development of policies and inter-sectoral instruments for water and wastewater management; (ii) development of policies for solid waste management to improve municipal service delivery and strengthen governance; and (iii) enhancement of social accountability mechanisms in the sectors with a view to improving performance.

(b) Provision of technical assistance to strengthen, at the national level, policy dialogue and strategy development for improved service delivery and regulation in the water supply, wastewater, and solid waste sectors, including in the areas of tariffs, alternative financing options, sector governance, public awareness, benchmarking, and accountability mechanisms.

Part 3: Project Management

Provision of support to the CPMU in its management and implementation of the Project activities, including financing of Incremental Operating Costs, cost of Project financial and technical audits and feasibility studies of potential urban infrastructure improvement investments.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall:
 - (a) carry out Parts 2 and 3 of the Project, through Minregion, in accordance with the procedures set forth in the Operations Manual and shall ensure that the Operations Manual is not amended, suspended, abrogated, repealed and that no provision of the Operations Manual is waived, without prior approval of the Bank; and
 - (b) maintain the CPMU within Minregion, throughout the duration of the Project, in a form and with functions, staffing (under terms of reference, qualifications and scope of responsibilities), and adequate resources, all satisfactory to the Bank which CPMU is responsible for overall Project coordination and reporting.

B. Subsidiary Agreement

1. To facilitate the carrying out of each Utility Company's Respective Part of the Project in accordance with its Utility Company's Investment Program that has been approved by the Bank, the Borrower, through MoF, shall make part of the proceeds of the Loan equal to an amount approved by the Bank, available to said Utility Company under a subsidiary agreement between the Borrower (represented by MoF, Minregion and the National Commission of the State Public Utilities Regulation), the municipal/regional council concerned and the Utility Company, under terms and conditions approved by the Bank ("Subsidiary Agreement"), which shall include:
 - (a) The principal amount of the Loan made available under the Subsidiary Agreement ("Subsidiary Loan") shall be:
 - (i) in an amount approved by the Bank for financing the Utility Company's Investment Program to be supported by the Project as reflected for the relevant Utility Company's disbursement in Category 1 of the table set forth in Section IV.A.2 of Schedule 2 to this Agreement, as such amounts may be adjusted from time to time with the prior consent of the Bank upon the request of the Borrower;
 - (ii) denominated and repayable in Dollars;
 - (iii) charged interest on the principal amount withdrawn and outstanding from time to time at the rate applicable to the Loan from time to time under Section 2.04 of this Agreement, and charged a front-end fee, to be deducted from the Subsidiary Loan principal amount, at a rate that equals the rate applied to the Loan under Section 2.03 of this Agreement, and

charged a fee of 0.01 percent on the amount of the Subsidiary Loan principal amount; and

- (iv) repayable over a period not exceeding the maturity of the Loan, inclusive of a grace period not exceeding 5 years.

(b) The Utility Company shall be responsible for implementing its Utility Company's Investment Program that has been approved by the Bank and in accordance with the Operations Manual, ESMF, RPF, and shall maintain its RPMU throughout the duration of the Project for this purpose, in a form and with functions, staffing (under terms of reference, qualifications and scope of responsibilities), and adequate resources, all satisfactory to the Bank and as further set forth in the Operations Manual. The Utility Company shall not amend, suspend, abrogate, repeal or waive any provision of the Operations Manual without the prior approval of the Bank.

(c) The Utility Company shall comply with the financial covenants and all other provisions set forth in its respective Project Agreement and its respective Subsidiary Agreement.

(d) The Utility Company shall obtain any necessary legal or administrative permissions, licenses, permits, usage rights, authorizations and any other consents as may be required for the implementation and maintenance of the Utility Company's Investment Program under the Borrower's legal framework.

- 2. The Borrower shall exercise its rights under the 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 or waive the Subsidiary Agreement or any of its provisions.

- 3. (a) Except as the Bank shall otherwise agree, the Borrower shall take measures to ensure that each Utility Company, during Project implementation, shall be able to maintain, for each of its fiscal years after its fiscal year ending on December 31, 2015 a ratio of total operating expenses to total operating revenues not higher than 150% and for purposes of this paragraph, the terms "total operating expenses", "total operating revenues" and other terms used in this paragraph shall have the meanings set forth in the Utility Company's Project Agreement.

(b) If the Borrower has failed to comply with paragraph (a) above and/or a Utility Company has failed to maintain the ratio of total operating expenses to total operating revenues as set out in paragraph (a) above, the Bank may, without limitation to Article VII of the General Conditions and in its sole discretion, reallocate the amounts of the Unwithdrawn Loan Balance allocated to such non-performing Utility Company to another Utility Company.

C. Anti-Corruption

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

D. Safeguards

1. The Borrower, through Minregion, shall, and shall cause each Utility Company to, prior to the commencement of any civil works under the Project, (a) prepare an EMP in accordance with the principles and procedures set forth in the ESMF; (b) thereafter, provide said EMP to the Bank for review; and (c) implement such EMP as shall have been accepted by the Bank as being satisfactory, as well as cause the Kharkiv Solid Waste EMP to be implemented.
2. The Borrower, through Minregion, shall carry out and cause the following to be carried out:
 - (a) all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently in carrying out the Project; and
 - (b) for this purpose, whenever implementation of Project activities would give rise to Displaced Persons, prior to the commencement of civil works related to said activities: (i) prepare, and cause to be prepared, a resettlement action plan in accordance with the principles and procedures set forth in the RPF; (ii) thereafter, provide said plan to the Bank for review; and (iii) implement such resettlement action plan as shall have been accepted by the Bank as being satisfactory.
3. The Borrower, through Minregion, shall ensure that the ESMF, RPF, the Kharkiv Solid Waste EMP, EMPs and RAPs and any provision thereof, shall not be amended, suspended, abrogated, terminated or waived or permitted to be amended, suspended, abrogated, terminated or waived, except with the prior written consent of the Bank.
4. The Borrower, through Minregion, shall:
 - (a) maintain, and cause each Utility Company to maintain, policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of any of the ESMF, RPF, the EMPs, and RAPs and the achievement of the objectives of said frameworks and plans; and
 - (b) include in the Project Report, which is to be prepared under Section II.A paragraph 1 of this Schedule, the results of the monitoring and evaluation activities with respect to the plans referred to in sub-paragraph (a) above.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through Minregion, 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 quarter, and shall be furnished to the Bank and the Borrower's Ministry of Economic Development and Trade 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, through Minregion, 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, through Minregion, 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, through Minregion, 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) Shopping; (b) Direct Contracting; and (c) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2.

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) Selection based on Consultants' Qualifications; (b) Least Cost Selection; (c) Single-source Selection of consulting firms; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) 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, through Minregion, 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"), in form and substance acceptable to the Bank, which shall include, *inter alia*: (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 sub-paragraph (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, and consultants' services for Part 1 of the Project to be implemented by:		81.50%
(a) Donetsk UC	30,473,000	
(b) Kharkiv UC	61,598,000	
(c) Kharkiv Waste Management UC	35,755,000	
(d) Kyiv UC	9,264,000	
(e) Kirovohrad UC	27,952,000	
(f) Ternopil UC	29,815,000	
(g) Zhytomyr UC	24,378,000	
(2) Goods, works, non-consulting services, and consultants' services for Part 1 of the Project to be implemented by:		100%
(a) Kramatorsk UC	5,236,000	
(b) Kolomiya UC	0	
(c) Ivano-Frankivsk UC	0	
(d) Cherkasy UC	12,309,000	

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(3) Goods, works, non-consulting services, and consultants' services for Parts 2 and 3 of the Project	15,000,000	100%
(4) Front-end Fee	750,000	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 2.07(c) of this Agreement
(6) Unallocated	47,470,000	
TOTAL AMOUNT	<u>300,000,000</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) under Categories (1) and (2) for each withdrawal to a Utility Company, unless:
 - (i) the Subsidiary Agreement related to the relevant Utility Company has been executed on behalf of the Borrower (represented by MoF, Minregion, and the National Commission of the State Public Utilities Regulation), the municipal/regional council concerned and the relevant Utility Company, and a legal opinion, satisfactory to the Bank, has been provided by counsel acceptable to the Bank, confirming that such Subsidiary Agreement has been duly authorized or approved by the aforementioned parties to the Subsidiary Agreement and is legally binding upon said parties in accordance with its terms;
 - (ii) the Project Agreement related to the relevant Utility Company has been executed on behalf of the Bank and said Utility Company and a legal opinion, satisfactory to the Bank, has been provided by counsel acceptable to the Bank, confirming that such Project Agreement has been duly authorized or approved by such Utility Company and is legally binding upon such Utility Company in accordance with its terms; and

(iii) the relevant Utility Company has finalized and adopted the Operations Manual, in form and substance satisfactory to the Bank.

2. The Closing Date is October 31, 2020.

C. Other Undertakings

1. With respect to Part 2 of the Project, the Borrower, through Minregion, shall: (a) within eighteen (18) months from the Effective Date furnish to the Bank for comments a draft “Utilities Performance Improvement” (UPI) study, prepared in accordance with terms of reference acceptable to the Bank, including analysis of the applicable legal and regulatory framework and the financial and operational constraints in the sector per utility and proposed solutions; and (b) thereafter, finalize and implement recommendations of said study, taking into account the Bank’s comments thereon.

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, 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” (January 2011) (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

Amortization Schedule

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 June 15 and December 15 Beginning June 15, 2019 to and including June 15, 2031	3.85%
On December 15, 2031	3.75%

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.

APPENDIX

Definitions

1. “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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “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.
4. “CPMU” means the Central Project Management Unit within Minregion, established pursuant to Decree 343-1 dated November 14, 2008, and Decree 483 dated March 10, 2013, and referred to in Section I.A.1 of Schedule 2 to this Agreement.
5. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and a “Displaced Person” means any of such Displaced Persons.
6. “Environmental Management Plan” or “EMP” means a site-specific environmental management plan, prepared in accordance with the ESMF and the provisions of Section I.D.1 of Schedule 2 to this Agreement and acceptable to the Bank, and giving details the specific actions, measures and policies designed to facilitate the achievement of the objective of the ESMF, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of an Utility Company’s Investment Program 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. “Environmental Management Plans” or “EMPs” means, collectively, all such EMPs and the Kharkiv Solid Waste EMP.
7. “ESMF” means the Environment and Social Management Framework dated December 2013, satisfactory to the Bank, and disclosed on the Borrower’s website on January 14, 2014, and the Bank’s Infoshop on March 20, 2014, which framework sets out, *inter alia* policies and procedures for: the preliminary screening (including impact on physical cultural resources) of proposed Project activities; preparation of environmental assessment and environment management plans therefor; consultation and disclosure and monitoring and reporting during the implementation of the Project, as said framework may be amended from time to time with the prior concurrence of the Bank.

8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012.
9. “Kharkiv Solid Waste EMP” means the Environmental and Social Management Plan for Solid Waste Management Sub-project in Kharkiv dated December 2013, satisfactory to the Bank, and disclosed on the Minregion website on January 20, 2014, and the Bank’s Infoshop on March 20, 2014, which sets forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of Kharkiv Waste Management UC, the Project Implementing Entity’s Utility Company’s Investment Program 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.
10. “Incremental Operating Costs” means the CPMU’s reasonable and necessary incremental expenditures 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; salaries of CPMU staff, but excluding salaries or honoraria of officials and employees of the Borrower’s civil services.
11. “Ministry of Finance” and “MoF” means the Borrower’s Ministry of Finance and includes any successor thereto.
12. “Minregion” means the Borrower’s Ministry of Regional Development, Building and Housing and includes any successor thereto.
13. “Operations Manual” means the operational manual adopted by Minregion and each Utility Company, setting forth the operational requirements, criteria, institutional arrangements and operational procedures for the implementation of the Project, including, *inter alia*, procurement, financial management, disbursement, accounting, audit, environmental and social safeguards requirements, monitoring and evaluation arrangements, as amended from time to time with the agreement of the Bank.
14. “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.
15. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 24, 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.
16. “Project Implementing Entity” means a Utility Company.

17. “Project Implementing Entity’s Legislation” means with respect to each Project Implementing Entity/Utility Company, the Charter set forth in column 4 of the same row as the Utility Company concerned in the table in Attachment 1 to the Appendix .
18. “Resettlement Action Plan” and “RAP” mean a site-specific resettlement action plan relating to land acquisition and/or resettlement or economic displacement of Displaced Persons, as the case may be, prepared in accordance with the ESMF and the provisions of Section I.D.2 of Schedule 2 to this Agreement and acceptable to the Bank; and “Resettlement Action Plans” and “RAPs” mean, collectively, all such RAPs.
19. “Respective Part of the Project” means with respect to each Utility Company, the Utility Company’s Investment Program that has been proposed by the Borrower for financing under Part 1 of the Project using the proceeds of the Loan and approved by the Bank, all in accordance with the procedures set out in the Operations Manual.
20. “RPF” means the Resettlement Policy Framework dated December 2013, satisfactory to the Bank, and disclosed in the Borrower’s website on January 14, 2014, and the Bank’s Infoshop on March 20, 2014, which sets out the policies and procedures for land acquisition, resettlement, compensation and rehabilitation of Displaced Persons, preparation of resettlement action plans therefor, consultation, disclosure, grievance redress, and monitoring and reporting during Project implementation, as said framework may be revised from time to time with the prior agreement of the Bank.
21. “RPMU” means the project implementation unit established within each Utility Company and referred to in Section I.B.1(b) of Schedule 2 to this Agreement.
22. “Subsidiary Agreement” means each agreement referred to in Section I.B of Schedule 2 to this Agreement and made between the Borrower (represented by MoF, Minregion, and the National Commission of the State Public Utilities Regulation), the municipal/regional council concerned and the Utility Company, pursuant to which the Borrower shall make part of the proceeds of the Loan available to each Utility Company.
23. “Training” means Project-related training, and includes Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers’ contracts, including costs of training materials, space and equipment rental, reasonable and necessary local and international travel by participants in training activities, reasonable lodging and accommodation, subsistence and local and international per diem of trainees and trainers, registration, tuition and facilitators’ fees, translation and interpretation, and other training related miscellaneous costs, all based on budgets acceptable to the Bank.
24. “Utility Company” means, individually, each of the utility companies set forth in column 3 of the table in Attachment 1 to this Appendix, which utility company:
 - (a) is located in the municipality/city set forth in column 1 of the same row of said table as the Utility Company concerned;

- (b) is established and operating pursuant to its Charter and Identification Number (also defined above as Project Implementing Entity's Legislation) as set forth in column 4 of the same row of said table as the Utility Company concerned; and
- (c) may be referred to in this Agreement by its acronym, which is set forth in column 2 of the same row of said table as the Utility Company concerned, and

"Utility Companies" means, collectively, all such companies.

- 25. "Utility Company's Investment Program" means a Utility Company's program for water supply, wastewater and/or solid waste investments proposed by a Utility Company, in accordance with procedures established by Minregion, to the Bank for approval for inclusion under Part 1 of the Project and to be financed by the proceeds of the Loan.

Attachment 1 to Appendix

Column 1	Column 2	Column 3	Column 4
Name of Municipality/ City	Acronym of Utility Company	Full Name of Utility Company	Utility Company is established and operating pursuant to its Charter and Identification Number (also defined as Project Implementing Entity's Legislation) as follows:
1. Donetsk	Donetsk UC	Utility Company "Donetskvodokanal"	Charter approved by Donetsk Mayor Decree No.711 dated August 05, 2013 with Identification No. 03361477.
2. Kharkiv	Kharkiv UC	Utility Company "Kharkivvodokanal"	Charter approved by Decision of Kharkiv City Council No. 66 dated January 25, 2012 with Identification No. 0336171.
	Kharkiv Waste Management UC	Utility Company "Kharkiv Municipal company for Waste Management"	Charter approved by Deputy Director of Economics and Municipal Property Department, Head of Municipal Property and Privatization Department of Kharkiv City Council and registered on April 3, 2009, with Identification No. 30990215.
3. Kramatorsk	Kramatorsk UC	Utility Production Company "Kramatorskyi Vodokanal"	Charter approved by Order of Head of Housing and Municipal Economy Department of Kramatorsk City Council No. 110 dated August 29, 2013 with Identification No. 05524251.
4. Kirovohrad	Kirovohrad UC	Regional Utility Production Company "Dnipro-Kirovohrad"	Charter approved by Decree of Head of Kirovohrad Oblast Council No. 50-rp dated February 24, 2012 with Identification No. 03346822.
5. Kolomyia	Kolomyia UC	Utility Company "Kolomyiavodokanal"	Charter approved by Decision of Kolomyia City Council No.372-6 dated May 31, 2011 with Identification No. 32148690.

Column 1	Column 2	Column 3	Column 4
Name of Municipality/ City	Acronym of Utility Company	Full Name of Utility Company	Utility Company is established and operating pursuant to its Charter and Identification Number (also defined as Project Implementing Entity's Legislation) as follows:
6. Kyiv	Kyiv UC	Public Joint Stock Company "JSC "Kyivvodokanal"	Articles of Association approved by Protocol of General Shareholders' Meeting No. 1/11 dated April 28, 2011 with Identification No. 03327664.
7. Ternopil	Ternopil UC	Utility Company "Ternopilvodokanal"	Charter approved by Decision of Ternopil City Council No. 5/26/19 dated April 30, 2009 with Identification No. 03353845.
8. Zhytomyr	Zhytomyr UC	Utility Company "Zhytomyrvodokanal"	Charter approved by Decision of Zhytomyr City Council No. 441 dated August 30, 2012 with Identification No. 03344065.
9. Ivano-Frankivsk	Ivano-Frankivsk UC	Utility Company "Ivano-Frankivskvodocotekhprom"	Charter approved by Decision of Ivano-Frankivsk City Council No. 165 of April 15, 2003 with Identification No. 32360815.
10. Cherkasy	Cherkasy UC	Communal Enterprise "Cherkasyvodokanal"	Charter approved by Decision of Cherkasy City Council No. 2-31 dated December 16, 2010 with Identification No. 03357168.