ADMINISTRATION AGREEMENT

Administration Agreement for the Swedish Trust Fund for Assistance to the National Commission of Ukraine for Regulations of Communal Services

(Trust Fund No.TF072127/ Sida Contribution No.55070052)

Article 1

Subject and Amount of the Grant

Section 1.01. In pursuance of the Single Donor Trust Funds Framework Agreement between Sweden, represented by the Swedish International Development Cooperation Agency, SIDA ("Sweden") and the International Bank for Reconstruction and Development ("IBRD") and the International Development Association (the "IDA") (collectively the "Bank") dated March 17, 2011 (the "Framework Agreement"), I am pleased to inform you that Sweden will make available a grant (the "Grant") of Swedish Kronor sixteen million four hundred thousand (SEK 16 400 000), to be administered by the Bank for the Trust Fund for Assistance to the National Commission of Ukraine for Regulations of Communal Services (Trust Fund No.TF072127).

Section 1.02. The terms of the Framework Agreement shall apply to the Grant. The Bank shall administer the Grant in accordance with the provisions of the Framework Agreement, except as otherwise provided herein.

Section 1.03. The Grant shall be used exclusively for the activities described in the Annex hereto, which forms an integral part of this Agreement. The Grant shall be used to finance the expenditures described in the Annex. Notwithstanding the foregoing, and so long as there is no change in the overall objectives or characteristics of the Grant, the Bank may reallocate the Grant funds between such categories of expenditures in accordance with the Bank's applicable policies and procedures on reallocation, without the need to obtain Sweden's approval for any such reallocation.

Section 1.04. In addition to the financial reports on the Grant to be made available pursuant to Section 10.01 of the Framework Agreement, the Bank shall provide an annual narrative progress report on the activities financed by the Grant and a final narrative progress report on the activities following the Completion Date.

Article 2

Payment Modalities

Section 2.01. Sweden shall deposit the Grant funds with the Bank, upon request from the Bank, into such bank account designated by the Bank in accordance with the provisions of Section 6.02 the Framework Agreement. The first installment of the Grant will be SEK 16 400 000. Subsequent installments will be made in accordance with the provisions of Section 6.02(b) of the Framework Agreement.

Section 2.02. The Bank shall convert the Contribution funds into the holding currency of the Trust Fund, namely Euro, promptly upon receipt of the Contribution funds and the Deposit Instruction containing the information specified in paragraph 4 at the exchange rate obtained by the Bank on the date of the conversion. Where the Contribution proves to be insufficient to complete the activities as a result of an
Article 3
Administrative Cost Recovery

Section 3.01. In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the Bank may, following deposit of the Grant by Sweden, deduct from the total Grant and retain for the Bank's own account an amount equal to two percent (2%) of the Grant, as stated in Article VIII in the Framework Agreement. In addition, costs for program management and supervision up to a maximum of three percent (3%) will be charged to the trust fund on an actual basis.

Article 4
Commencement and Completion Dates

Section 4.01. The Grant funds may be used to finance expenditures for the Project commencing on the date of this Agreement and ending on May 31, 2016. The Bank may make disbursements of the Grant funds for up to six (6) months after such latter date for expenditures incurred on or before such date, in accordance with the Bank's applicable policies and procedures.

Article 5
Cancellation

Section 5.01. Either party may, upon giving the other party three (3) months' prior written notice, cancel that part, if any, of the Grant funds provided under this Administration Agreement that the Bank has not committed prior to receipt of such notice under agreements entered into by the Bank with any third party, including any grant agreement.

Article 6
Communications

Section 6.01. The offices responsible for coordination of all matters related to this Administration Agreement are:

For Sweden: Ebba Aurell
Tel: +380 44 494 4270
Fax: +380 44 494 4271
E-mail: ebba.aurell@gov.se

For the Bank: Yadviga Semikolenova
Tel: +1 202 473 7631
Fax: E-mail: ysemikolenova@worldbank.org

This Administration Agreement is drawn up in two originals, one for each party. It may be amended only by written agreement of the parties hereto.
Sweden, represented by SIDA

By: Christina Danielsson
   Head of Reform Cooperation

Date: Dec, 3, 2013

International Bank For Reconstruction And Development/ International Development Association

By: Qimiao Fan
   Country Director
   Belarus, Moldova and Ukraine
   Europe and Central Asia

Date: Dec, 3, 2013
ANNEX

Project Description and Categories of Expenditure

This Annex shall be applicable to and form an integral part of the funding and Trust Fund Administration Agreement entered into between the Bank and SIDA.

A. DESCRIPTION OF THE TRUST FUND

A.1 The objective of the Trust Fund is to assist Ukraine’s National Commission of Ukraine for Regulations of Communal Services with transitioning from ‘cost plus’ to ‘incentive-based’ district heating regulation.

A.2 The Project consists of the following Parts:

(a) Bank-executed activities:

(i) Supervision cost related to the supervision of the Recipient-Executed Activities set forth below.

(b) Recipient-executed activities:

(i) Support for the development of secondary legislation documents covering transformation of the communal services sector to long-term full operating and investment cost-recovery tariffs, with creation of incentives for reduction of operation expenses.

(ii) Support for the introduction of a sector-wide benchmarking exercise.

(iii) Institutional capacity building to the National Commission of Ukraine for Regulations of Communal Services.

(iv) Support for the development of miscellaneous tools for regulation, including software for on-line data collection and processing.

(v) Project implementation support, including for the project implementation unit at the National Commission of Ukraine for Regulations of Communal Services, and annual audit costs.

B. CATEGORIES OF EXPENDITURE

The Grant may be used to finance the following categories of expenditure, as applied by the Bank:

(a) For Bank-executed activities, the Trust Fund may be used to finance:

Associated Overheads;
Consultants Fees (Individuals and Firms);
Contractual Services;
Media, Workshop, Conference and Meeting Costs;
Staff Costs (with indirects costs); and
Travel Expenses.

(b) For Recipient-executed activities the Trust Fund may be used to finance:

Consulting Services;
Goods;
Operating Costs;
Training; and
Audits.