H.E. Nikolai G. Snopkov  
Minister of Economy  
Ministry of Economy of the Republic of Belarus  
14 Bersona St.  
220050 Minsk  
Republic of Belarus  

Re: Austrian Trust Fund Grant No. TF098603  
Privatization Project  

Excellency:  

In response to the request for financial assistance made on behalf of Belarus ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/"World Bank"), acting as administrator of grant funds provided by Austria, proposes to extend to the Recipient a grant in an amount not to exceed three million and six hundred thousand United States Dollars (U.S.$3,600,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement
shall become effective after the date of countersignature and confirmation from the
Bank that the conditions for effectiveness set forth in Article IV have been satisfied.

Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Martin Raiser
Country Director
Ukraine, Belarus and Moldova

AGREED:

BELARUS

By /s/ Nikolai G. Snopkov
Name: Nikolai G. Snopkov
Title: Minister of Economy
Date: December 22, 2010

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
(3) Guidelines: Procurement under IBRD Loans and IDA Credits, dated May 2004 and revised in October 2006 and May 2010
(4) Guidelines: Selection and Employment by World Bank Borrowers, dated May 2004 and revised in October 2006 and May 2010
(5) Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006
Article I
Standard Conditions; Definitions

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

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

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to provide the Recipient with necessary legal and institutional instruments and implementation capacities to successfully launch and roll-out a privatization program that is both on par with international best practice and tailored to the particular industry/business.

**Component 1: Provision of Legal Advice and Institutional Capacity Building:**

- Provision of consultant services (engagement of an international advisor)
- Provision of staff training
- Development of privatization and foreign investment attraction strategy, including a communication component
- Establishment of a legal framework for privatization
- Capacity building for the Unit within the Ministry of Economy in charge of the privatization program, including training of staff and financing of incremental operating costs (local travel, hotels and subsistence and fuel for vehicles)

**Component 2: Privatization Transactions Delivery:**

- Provision of consultants services including financial advisors to facilitate the privatization program
- Deployment of identified customized case-by-case privatizations
- Launch of the tender process for these privatizations
- Advertisement of the privatizations in appropriate media

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

For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.04. **Project Monitoring, Reporting and Evaluation**

(a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to, and agreed with, the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. **Financial Management**

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar quarter, in form and substance satisfactory to the World Bank.

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

2.06 **Procurement**

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

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods; and

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and
(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines ("Procurement Plan").

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

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (A) Shopping.

(d) Particular Methods of Procurement of Consultants’ Services

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

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Selection of Individual Consultants; (D) Selection under a Fixed Budget; and (E) Single-Source Selection.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

The following prior review procedures shall apply to each contract for the employment of individual consultants: (i) the report on the comparison of the qualifications and experience of candidates, terms of reference and conditions of employment of the consultant shall be furnished to the World Bank for its prior review and approval; (ii) the contract shall be awarded only after the World Bank’s approval shall have been given; and (iii) the provisions of paragraph 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100%, of Eligible Expenditures inclusive of Taxes, as set forth in the
following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated in US$</th>
<th>Percentage of Expenditures to Be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, Consultancy, Training, Audit Costs and Operating Costs</td>
<td>3,600,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

For the purposes of this paragraph, the term “training” means expenditures incurred to finance the cost of training activities and workshops carried out under the Project, including costs of training materials, training providers, facilities, and related travel expenditures and allowances provided to the participants in such training and workshops and the term “incremental operating costs” means expenditures incurred on account of the implementation of the Project, including office supplies, communication, travel and bank charges.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

- for payments made prior to the date of countersignature of this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is February 28, 2015.

**Article IV**

**Effectiveness**

4.01. This Agreement shall become effective upon receipt by the Bank of evidence satisfactory to it that the conditions specified below have been satisfied:

(a) This Agreement has been duly authorized or ratified (if appropriate) by all necessary governmental action.

(b) That the Ministry of Economy:

   i. has established a unit in charge of the privatization program and mandated to carry out its activities in accordance with the Activity Description outlined in a Supplemental Letter to this Agreement.

   ii. has identified the following key staff for the unit referred to in sub-paragraph (i) of this Sub-Section: Director, financial management officer, procurement officer and privatization Specialist.
iii. has established a Financial Management System (FMS) satisfactory to the Bank, including automated accounting system suitable for accounting and reporting of grant activities.

iv. has selected no less than 5 entities for privatization, approved by the Government and satisfactory to the Bank.

Article V
Additional Remedies

5.01. It is anticipated by the Recipient and the Bank that the privatization program will result in several privatizations per year. In the event that no privatization transaction has been carried out for 18 months at any time during Program implementation, then the same shall be An Additional Event of Suspension for the purposes of Section 4.02 (k) of the Standard Conditions.

Article VI
Recipient's Representative; Addresses

6.01. Recipient's Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Recipient’s Minister of Economy.

6.02. Recipient's Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Economy of the Republic of Belarus
14 Bersona St.
220050 Minsk
Republic of Belarus

Telex: 011 375 17 200 5316
Facsimile: 011 375 17 210 4113

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

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

Cable: INTBAFRAD
Telex: 248423 (MCI) or 1-202-477-6391
Facsimile: 64145 (MCI)
APPENDIX

Modifications to the Anti-Corruption Guidelines

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

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

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

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

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

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

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

1NB: Do not delete the “Footnotes” section that follows the modifications to paragraphs of the Anti-Corruption Guidelines, as these footnotes as part of the Anti-Corruption Guidelines being modified.