

CONFORMED COPY

LOAN NUMBER 7971-BY

Loan Agreement

(Road Upgrading and Modernization Project)

between

REPUBLIC OF BELARUS

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated November 19, 2010

LOAN AGREEMENT

Agreement dated November 19, 2010, between REPUBLIC OF BELARUS (“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 a one hundred and fifty million United States Dollars (US\$150,000,000), 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 February 15 and August 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 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 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 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.
- (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.

ARTICLE III - PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project 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 - EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date hundred and twenty (120) days after the date of this Agreement.

ARTICLE V - REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower’s Representative is the Deputy Prime Minister of the Borrower.

5.02. The Borrower's Address is:

Council of Ministers
House of Government
Minsk, 220010
11 Sovetskaya Street
Republic of Belarus

Facsimile:

375 17 2226665

5.03. 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 Minsk, Republic of Belarus, as of the day and year first above written.

REPUBLIC OF BELARUS

By /s/ Ivan I. Scherbo

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ivan Velev

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to reduce transport costs for road users on the upgraded sections of the M5 Road, and to introduce electronic tolling in the Republic of Belarus as an efficient cost recovery mechanism.

The Project consists of the following parts:

Part A. Road Upgrading

Reconstruction of the existing 2 (two) lanes of the M5 Road Section and construction of 2 (two) additional lanes to the M5 Road Section, including construction of about 6 (six) two-level interchanges, seven overpasses, 4 (four) new bridges, and two pedestrian underpasses.

Part B. Modernization of Road Tolling System

Supply and installation of a modern electronic road tolling system based on microwave technology on a 109 km section (from km 22 to km 131) of the M5 Road between Minsk and Bobrujsk, including supply of equipment such as (i) on-road tolling equipment, (ii) specialized vehicles and equipment for control purposes, (iii) a centralized data processing center, (iv) software and computers, and (v) on-board devices for vehicles.

Part C. Road Sector Institutional Support

Strengthening of the institutional capacity of road sector institutions of the Borrower by providing technical assistance and training, including:

- (i) Training on the new electronic tolling system;
- (ii) Support to BELGIPRODOR for updating its economic evaluation tools for road projects, including training on HDM4 and procurement of software licenses;
- (iii) Support to improve the capacity of local institutions involved in supervision of road works to carry out supervision under FIDIC rules;
- (iv) Technical assistance to BELAVTODOR in carrying out benchmarking and harmonization of Belarusian road construction, repair and

maintenance standards and expenditure levels against and in accordance with European and international standards;

- (v) Support for carrying out the Project audits; and
- (vi) Other minor Project-related technical assistance, training and/or goods to support capacity building and Government institutions in the road sector.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. At all times during Project implementation, the Borrower shall maintain the PIT with staff, resources, and terms of reference satisfactory to the Bank to carry out the day-to-day management and implementation of the Project, including procurement, financial management, Project monitoring and evaluation, and reporting arrangements, as well as management of environmental and social issues under the Project. The Borrower, through MoTC, shall assign a coordinator to provide technical and managerial assistance to PIT in the Project implementation.
2. The Borrower shall carry out the Project in accordance with the POM, and shall not assign, amend, abrogate or waive any provisions of the POM without prior written approval of the Bank.

B. Anti-Corruption

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

C. Safeguards

1. The Borrower shall implement the Project in accordance with the EMP, and shall take all measures, including policy and administrative measures that are required to enforce and implement the EMP.
2. The Borrower shall ensure that transfer of land, which is required for the right of way of the M5 Road Section to be upgraded under Part A of the Project, shall have been completed between relevant agencies of the Borrower in accordance with applicable laws and regulations of the Borrower prior to commencement of any works on such land.

Section II. Project Monitoring Reporting and Evaluation**A. Project Reports**

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 agreed with the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than one month 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. 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, commencing with the fiscal year in which the first withdrawal was made under the Project. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
<p>(a) National Competitive Bidding.</p> <p>Following additional procedures shall be applied in procurement under National Competitive Bidding:</p> <ol style="list-style-type: none"> i. there shall be no eligibility restrictions based on nationality of bidder and/or origin of goods; ii. pre-qualification shall not be used for simple goods and works procurement and shall be conducted only for large works projects; iii. entities in which the State or a State official owns a shareholding of whatever size shall not be invited to participate in tenders for the Government, unless they are and can be shown to be legally and financially autonomous and they operate under commercial law; iv. no national preferences may be applied on the basis of the origin of products or labor; v. joint venture partners shall be jointly and severally liable for their obligations; vi. no “participation fee” shall be required of bidders for the purchase of bidding documents. The only charge shall be equivalent to the cost of producing (copying) the bidding documents; vii. bids may be rejected where bid prices are substantially higher from the existing budget, in accordance with paras 2.61-2.63 of the Guidelines; viii. rebidding shall not be carried out without prior approval of the Bank; ix. works contracts of more than eighteen (18) months’ duration shall include appropriate price adjustment provisions; x. prior approval of the Bank shall be required for any modification in the contract scope and conditions during implementation; xi. the Bank shall declare a firm or individual ineligible, either

xii.	<p>indefinitely or for a stated period, to be awarded a contract financed by the Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the Bank; and</p> <p>Each bidding document and contract financed from the proceeds of the Loan shall include a provision requiring bidders, suppliers, contractors and sub-contractors to permit the Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. The deliberate and material violation by the bidder, supplier, or contractor or subcontractor of such provision may amount to obstructive practice.</p>
	(b) Direct Contracting
	(c) Shopping

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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality Based Selection
(b) Least Cost Selection
(c) Selection Based on Consultants’ Qualification
(d) Single Source Selection
(e) Individual Consultants

D. Review by the Bank of Procurement Decisions

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.

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 exclusive of Taxes
(1) Goods, works, Training and consultants’ services	149,625,000	100%
(2) Front-end Fee	375,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	150,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is November 30, 2014.

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.
- 2.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each February 15 and August 15 beginning February 15, 2016 through August 15, 2025	5%

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.

APPENDIX**Section I. 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 with the modifications set forth in Section II of this Appendix.
2. “BELAVTODOR” means the Roads Department of the MoTC.
3. “BELGIPRODOR” means the state-owned road design institute founded in 1932.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
6. “Environmental Management Plan” or “EMP” means the document prepared by MoTC, acceptable to the Bank and adopted by the Borrower on June 28, 2010 and disclosed on July 15, 2010 setting forth a set of measures and actions to be carried out by the Borrower during the Project implementation in order to eliminate, mitigate or offset adverse environmental and social impacts.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 31, 2010.
8. “FIDIC” means the International Federation of Consulting Engineers.
9. “M5 Road” means the main road in the south-east of the Republic of Belarus between the city of Minsk and the border with Ukraine.
10. “M5 Road Section” means a section of the M5 Road of about 53 km, including from km 65 to km 93 and from km 106 to km 131, between Minsk and Bobrujsk that will be upgraded and expanded under Part A of the Project.
11. “MoTC” means the Borrower’s Ministry of Transportation and Communications, and any successor thereto.
12. “MinskAvtodor-Center” means a Republican Unitary Enterprise established by MoTC under Presidential Decree #241 of May 25, 2005 with responsibility for construction, rehabilitation and maintenance of republican roads in Minsk Oblast.

13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010.
14. “Project Implementation Team” or “PIT” means a unit established by the Borrower at MinksAvtodor consisting of key personnel, including a team leader, procurement and financial management specialists, a lawyer and a translator, with responsibilities to carry out the Project implementation and day-to-day operation of the Project.
15. “Project Operational Manual” or “POM” means the manual dated September 28, 2010 and for use in day-to-day Project implementation, as the same may be amended from time to time with the Bank’s prior agreement.
16. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated September 29, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “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.

Section II. 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.”
3. 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.”