

Public Disclosure Authorized

OFFICIAL DOCUMENTS

LOAN NUMBER 8821-BY

Loan Agreement

(Additional Financing for the Forestry Development Project)

between

REPUBLIC OF BELARUS

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF BELARUS (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

WHEREAS:

(A) under an agreement, dated April 2, 2015, between the Borrower and the Bank (“Original Loan Agreement”), the Bank agreed to provide the Borrower with a loan (“Original Loan”) in an amount equivalent to forty million seven hundred fourteen thousand Dollars (USD 40,714,000) to assist in the financing of the Forestry Development Project (“Original Project”), as described in Schedule 1 to the Original Loan Agreement;

(B) under an agreement, dated April 2, 2015, between the Borrower and the Bank, acting as an implementing agency of the Global Environment Facility (GEF) (Grant Agreement), the Bank has agreed to make a grant to the Borrower in the amount of two million seven hundred thirty-nine thousand seven hundred twenty-six Dollars (USD 2,739,726) to assist in financing part of the Project described in Schedule 1 to this Agreement;

(C) the Borrower has requested the Bank to provide additional financing in support of certain on-going activities related to Part 1 of the Original Project and certain new activities, as fully described in Schedule 1 to this Agreement (“Project”), by making available to the Borrower an additional loan (“Additional Loan”);

NOW THEREFORE:

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) apply to and form 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 the amount of twelve million Euro (EUR 12,000,000), as such amount may be converted from time to time through a Currency Conversion (“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 III of Schedule 2 to this Agreement. The Borrower’s Representative for purposes of taking any

action required or permitted to be taken pursuant to this Section is the Minister of Forestry or any successor thereto.

- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower, through its Ministry of Forestry, shall ensure that the Project is carried out by Bellesexport, in accordance with the provisions of Article V of the General Conditions.

ARTICLE IV — EFFECTIVENESS

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that the Project Operational Manual shall have been updated and adopted by the Borrower.
- 4.02. The Effectiveness Deadline is the date one hundred and twenty days (120) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. Except as provided in Section 2.02 of this Agreement, the Borrower's Representative is its Deputy Prime Minister.
- 5.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Council of Ministers of the Republic of Belarus
House of Government
Minsk, 220010
Sovetskaya Str.11
Republic of Belarus; and

(b) the Borrower's Electronic Address is:

Facsimile: E-mail:
375 17 2226665 contact@government.by

5.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex:
248423(MCI) or
64145(MCI)

Facsimile:
1-202-477-6391

E-mail:
akremer@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF BELARUS

By



Authorized Representative

Name: Vitali A. Drozhzha
Title: Minister of Forestry of
the Republic of Belarus
Date: April 11, 2018

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Alexander Kremer
Title: Country Manager for Belarus
Date: April 11, 2018

SCHEDULE 1

Project Description

The objectives of the Project are to enhance silvicultural management and reforestation and afforestation, increase the use of felling residues and improve the public good contribution from forests in the Borrower's targeted forest areas.

The Project consists of the following parts:

Part 1: Improvement of Silviculture and the Sustainability of Forest Management

Improving silviculture and forest management effectiveness through, *inter alia*:

1. the increased intensity of silviculture activities by thinning of young and middle-aged stands through the provision of necessary equipment (including harvesters and forwarders), including the carrying out of Training;
2. the development of the use of woody biomass from logging residues to enhance the forest management productivity through the provision of necessary equipment (including heavy duty chipper machines); and
3. the improvement of forest nurseries for afforestation and reforestation through the modernization of selected forest nurseries through, *inter alia*: (a) the carrying out of civil works including construction of greenhouses, warehouses, cold stores, wells, and water storage facilities; (b) the provision and installation of new seeding lines, greenhouses, cooling machinery, and watering systems; (c) the provision of other forest nursery equipment; and (d) the carrying out of Training.

Part 2: Improvement of Forest Fire Prevention, Monitoring, Detection, and Suppression

Reducing the incidents of forest fire hazards through, *inter alia*:

1. the enhancement of the Borrower's capacity to respond to fire incidents through, *inter alia*: (a) the carrying out of public awareness activities; (b) the development of a fire-fighting zone system; and (c) the carrying out of an inventory of depleted peat lands;
2. (a) the strengthening of fire detection and monitoring measures through the provision of the necessary equipment; and (b) the enhancement of communication mechanisms among State-owned Forestry Enterprises; and
3. the improvement of fire suppression efforts through the provision of: (a) modern fire-fighting vehicles; and (b) other modern fire-fighting equipment.

Part 3: Capacity Building for Sustainable Forest Management

Strengthening the Borrower's capacity for sustainable forest management through, *inter alia*:

1. the facilitation of an enabling environment for sustainable forest management through, *inter alia*: (a) the review and update of the Borrower's forest policy and legal framework and forestry sector strategy; (b) the development of the necessary methods and techniques to improve the biological and landscape diversity in forest management, including through the piloting of trial new silvicultural approaches; and (c) the carrying out of Training activities to raise awareness of State-owned Forestry Enterprises on international best practices in the forestry sector;
2. the strengthening of the forest management information system and forest management planning capacity through, *inter alia*: (a) the provision of equipment; (b) the development of a web-based interface for sharing information among relevant forest sector stakeholders; and (c) the development of a geo-information system-based map and database of potential forestry carbon (non Project) investments;
3. the use of advanced forest management technologies through the provision of Training;
4. (a) the design and implementation of a monitoring system of radiological conditions of forests in the Borrower's territory; and (b) the strengthening of the existing system of protective measures of radiological monitoring activities; and
5. the provision of support for the implementation, monitoring and evaluation of the Project, including: (a) the carrying out of the Project audits; and (b) the implementation and supervision of the Environmental and Social Management Plan (ESMP).

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall continue to vest the overall responsibility for the implementation of the Project in the Ministry of Forestry (MoF), and to this end, through Bellesexport, shall continue to operate and maintain, throughout Project implementation, the Project Implementation Unit (PIU) with qualified staff in sufficient numbers, adequate funds, facilities, services, and other resources for Project implementation, all acceptable to the Bank.
2. The Borrower, through Bellesexport, shall continue to: (a) carry out the Project in accordance with the requirements set forth in a manual acceptable to the Bank (Project Operational Manual (POM)); and (b) not assign, amend, abrogate, or waive the POM or any of its provisions, except with the prior written approval of the Bank. In case of any conflict between the terms of the POM and those of this Agreement, the terms and conditions of this Agreement shall prevail.
3. The Borrower shall continue to ensure, during the implementation of the Project, the coordination among its offices, units and subordinated agencies (including, State-owned Forestry Associations, State-owned Forest Enterprises, Bellesozahita and Belgosles) and any other relevant ministry (including the Ministry of Natural Resources and Environmental Protection) with technical, environmental and social safeguards, fiduciary, and other Project related responsibilities for implementing the Project, all with powers, functions, capacity, staffing, and resources acceptable to the Bank to fulfill their respective responsibilities under the Project.

B. Safeguards

1. The Borrower, through Bellesexport, shall continue to carry out the Project in accordance with the ESMP. Except as the Bank shall otherwise agree, the Borrower, through Bellesexport, shall not assign, amend, abrogate, or waive the ESMP or any of its provisions.
2. The Borrower, through Bellesexport, shall continue to ensure that no activities to be carried out under the Project involve Involuntary Resettlement.
3. The Borrower shall ensure, that the terms of reference for any consultancy in respect of any Project activity under the Project shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.

Section II. Project Monitoring, Reporting and Evaluation

The Borrower, through Bellesexport, shall continue to furnish to the Bank each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of Loan Proceeds

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in EURO)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services and Training under Parts 1.1 and 1.3 of the Project	12,000,000	100%
TOTAL AMOUNT	12,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) from the Loan Account until the Bank shall have received payment in full of the Front-End Fee; and
 - (b) for payments made prior to the Signature Date.
2. The Closing Date is August 31, 2021.

Section IV. Other Undertakings

A. Amendment to the Original Loan Agreement

The Original Loan Agreement is amended as follows:

1. The Schedule 1 of the Original Loan Agreement is modified to read as set forth in the Schedule 1 to this Agreement.
2. The Closing Date in the Section IV of the Schedule 2 of the Original Loan Agreement is modified to read August 31, 2021.

SCHEDULE 3

Amortization

Commitment-Linked Amortization Repayment Schedule

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”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each April 15 and October 15 Beginning April 15, 2021 through April 15, 2029	5.56%
On October 15, 2029	5.48%

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
2. “Bank Safeguards Policies” means the World Bank’s operational policies and procedures set forth in the Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.WorldBank.org/opmanual.
3. “Belgosles” means the Borrower’s forest management republican unitary (state-owned) enterprise established pursuant to MoF Order No. 32, dated February 15, 2001.
4. “Bellesexport” means the Borrower’s republican unitary (state-owned) enterprise established pursuant to MoF Order No. 71, dated July 19, 1995, or any successor thereto, acceptable to the Bank.
5. “Bellesozahita” means the Borrower’s institution responsible of forest protection and monitoring, established pursuant to MoF Order No. 105, dated May 5, 2000.
6. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
7. “ESMP” means the Borrower’s environmental and social management plan (which includes an environmental impact assessment), publicly disclosed on December 8, 2014 and updated and re-disclosed in country and on the World Bank’s website on November 29, 2017, in form and substance acceptable to the Bank which contains, *inter alia*: (a) the potential environmental and social impacts of the Project; (b) proposed corresponding environmental and social mitigation measures; (c) monitoring activities; and (d) roles and responsibilities of the implementation of the ESMP, as said plan may be amended from time to time with the prior written agreement of the Bank.
8. “FSC” means Forest Stewardship Council, an international non-profit, multi-stakeholder organization established in 1993 to promote responsible management of the world’s forests.
9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated July 14, 2017.
10. “Involuntary Resettlement” means any direct economic and social impact 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.

11. “Ministry of Natural Resources and Environmental Protection” means the Borrower’s Ministry of Natural Resources and Environmental Protection, or any successor thereto.
12. “MoF” means the Borrower’s Ministry of Forestry, or any of successor thereto.
13. “PEFC” means Program for the Endorsement of Forest Certification, an international non-profit, non-governmental organization dedicated to promoting Sustainable Forest Management (SFM) through independent third-party certification.
14. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016 and amended on November 2017.
15. “Project Implementing Unit” means the unit referred to in Section I.A.1 of Schedule 2 to this Agreement.
16. “Project Operational Manual” or “POM” means the manual for the Project, acceptable to the Bank, prepared and adopted by the Borrower, describing and setting forth procedures *inter alia*, the activities and timetable of actions to be carried out under the Project, the respective roles and responsibilities of the agencies and any other relevant ministry involved in the implementation of the Project, the staff of the Project Implementing Unit, the fiduciary, technical and operational aspects and procedures for implementation of the Project, including the financial management procedures (budgeting, accounting and internal control, disbursement and flow of funds, financial reporting, annual reports, internal and external audit arrangements procedures and including the Project specific chart of accounts), procurement procedures, monitoring and evaluation arrangements, and other fiduciary and administrative arrangements and necessary terms of reference, as the same may be amended from time to time with the prior written agreement of the Bank.
17. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
18. “State-owned Forestry Association” means any of the Borrower’s state-owned forestry associations established in each of the Borrower’s six regions.
19. “State-owned Forestry Enterprise” means any of the Borrower’s state-owned enterprises under the administrative jurisdiction of the MoF, certified to be in compliance with PEFC and/or FSC standards, and participating in the implementation of the Project.
20. “Training” means expenditures (other than those for consultants’ services) incurred by the Borrower in connection with the carrying out of seminars, workshops, including the reasonable travel costs (i.e. accommodation, transportation and *per-diem, inter alia*) of trainees and trainers (if applicable), training registration fees, catering, rental of training facilities and equipment, logistics and printing services, as well as training materials for the purposes of, and directly related to, the activities of the Project.