

OFFICIAL DOCUMENTS

LOAN NUMBER 9014-BY

Loan Agreement

(Sustainable Energy Scale-Up 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:

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 ninety million Euro (EUR 90,000,000), 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 Chair of the State Committee for Standardization or any person delegated by such officer in writing.
- 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 May 15 and November 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 shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV—REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely that Regulation No. 1311 of the Borrower's Council of Ministers, dated October 3, 1997, which established the PMU has been amended, suspended, abrogated, repealed, waived or not enforced, in such a manner so as to affect materially and adversely, in the opinion of the Bank, the PMU's ability to carry out the Project.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.
- 4.03. The Co-financing Deadline for the effectiveness of the GEF Grant Agreement is April 30, 2020.

ARTICLE V—EFFECTIVENESS

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
 - (b) The POM has been adopted by the Borrower on a manner satisfactory to the Bank.
- 5.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.

ARTICLE VI— REPRESENTATIVE; ADDRESSES

- 6.01. Except as provided under Section 2.02 of this Agreement, the Borrower's Representative is the Deputy Prime Minister or any successor thereto.
- 6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Council of Ministers
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

- 6.03. 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:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	akremer@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF BELARUS

By


Authorized Representative

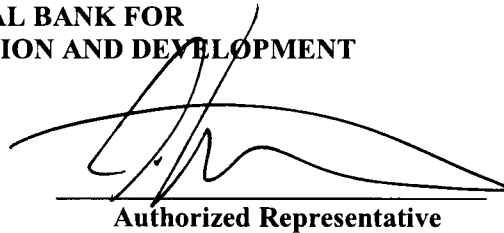
Name: Valentin B. Tataritsky
Chairman of State

Title: Committee for Standardization

Date: November 28, 2019

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By


Authorized Representative

Name: Alexander Kremer

Title: Country Manager for Belarus

Date: November 28, 2019

SCHEDULE 1

Project Description

The objective of the Project is to scale up efficient energy use in space heating of multi-apartment buildings and renewable wood biomass utilization for heating in selected localities in Belarus.

The Project consists of the following parts:

Part 1: Renewable Wood Biomass Heating

Support fuel-switching and efficiency improvement of heating systems in selected localities in all oblasts in the Borrower's territory through biomass heating investments: including, *inter alia*, carrying of works for construction and rehabilitation of boiler plants, installation of new wood-biomass-fired boilers, installation of new peak gas-fired boilers or rehabilitation of existing ones, as needed, modernization of heat networks, installation of individual heat substations and operational monitoring and control systems, and development of local sites for wood fuel preparation.

Part 2: Thermal renovation of multi-apartment buildings (MABs)

Support the implementation of the Borrower's program for thermal renovation of MABs in the Selected Oblasts, through:

- (a) Package A: carrying out of thermal renovation projects (TRPs) including installation of building-level substations or mixing loops, thermostatic radiator valves (TRVs) and necessary piping retrofit in individual apartments, upgrading of entrance doors and staircase windows, and other associated low-cost measures agreed with the Bank.
- (b) Package B: carrying out of TRPs including all measures financed under (a) above as well as upgrading of individual apartment windows (if not already upgraded), mandatory thermal insulation for roofs, exterior walls, and basements.
- (c) Grants for the installation of heat cost allocators (HCAs) and implementation of apartment-level consumption-based billing included in either package under (a) or (b) above as an option for beneficiaries in selected locations agreed with the Bank.
- (d) Piloting a partially repayable grant scheme and support the roll out of the Borrower's thermal renovation program.

Part 3: Technical Assistance and Implementation Support

Provision of technical assistance for market development, communications and capacity building, and support for overall project implementation, through:

- (a) Development of a wood biomass fuel market: including carrying out of analytical work and provision of technical assistance for developing national regulation on energy-content-based wood biomass pricing.
- (b) Thermal renovation market development: development and implementation of communications and outreach programs to homeowners, capacity building for government agencies, thermal renovation market participants and stakeholders.
- (c) Development and implementation of a monitoring, reporting and verification (MRV) system for Green House Gas (GHG) emissions reduction in space heating as a result of thermal renovation.
- (d) Support Project management, monitoring and reporting, including through: (i) training for PMU and PIU staff; (ii) consulting services for Project supervision and for fulfilling fiduciary duties including carrying out of audits; and (iii) Operating Costs for PMU and PIUs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall, through EED, carry out the Project in accordance with the Project Operations Manual (hereinafter, the "POM"). Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the POM or any of its provisions thereof.
2. At all times during Project implementation, the Borrower shall ensure that the PMU is maintained with qualified staff in sufficient numbers, adequate funds, facilities, services and other resources for the Project implementation (including financial management, procurement and safeguards aspects) all satisfactory to the Bank.
3. The Borrower shall maintain, throughout Project implementation, a Project coordinator in each of the Participating District Heating Companies (DHC) who shall serve as a focal point and be responsible for the day-to-day operation of the Project in cooperation with the PMU.
4. The Borrower shall maintain, throughout Project implementation, for purposes of implementation of Part 2 of the Project: (a) a PIU in each of the Selected Oblasts to coordinate the activities thereunder at the Selected Oblast level; (b) the MCA with direct responsibility for implementing the activities thereunder in its respective municipality; and (c) the OE in charge of reviewing and approving the technical aspects of TRPs under such Part of the Project.
5. The Borrower shall ensure that Part 2 of the Project is implemented by the PMU and the PIUs of the Selected Oblasts in collaboration with the MCAs of the municipalities where TRPs shall be undertaken, including the obligation of each MCA to supervise the respective TRP under the oversight of the PMU and support of the relevant PIU.

B. Thermal Renovation Projects and Partially Repayable Grant Scheme

The Borrower shall establish a program for thermal renovation of MABs consisting of:

1. Thermal Renovation Projects (TRPs)

The Borrower shall renovate eligible MABs that comply with criteria described in the POM by carrying out TRPs in eligible MABs. Such criteria to include:

- (a) a TRP shall be eligible for financing subject to: (i) approval of its renovation scope and investment amount by at least two-thirds of the homeowners and commercial businesses, as applicable, of the candidate MAB; (ii) approval of its technical designs by the authorized Oblast Expertise prior to the contracting of any civil works for any such TRP; and (iii) obtaining of all official certifications required under the Borrower's legislation; and
- (b) during Project implementation, the energy savings of renovated MABs be assessed after a full heating season by a qualified expert, including a company, selected in accordance with criteria described in the POM.

2. Partially Repayable Grant Scheme

The Borrower shall implement a repayment mechanism in installments of the TRPs through which homeowners and commercial businesses as applicable, of the renovated MABs shall repay their share of the investment cost incurred by the Borrower to carry out the TRP. Such scheme, which is described in the POM, to include:

- (a) the investment cost incurred by the Borrower for the carrying out of the TRPs described under Part 2 (a) or (b) of the Project, as the case may be;
- (b) the portion of the investment cost of the TRPs to be repayable; and
- (c) terms and conditions of the repayment mechanism.

C. Safeguards

- 1. The Borrower shall (a) carry out the Project in accordance with the provisions of the Safeguards Instruments; and (b) ensure that any contracts for civil works under the Project incorporate the pertinent requirements of Safeguard Instruments and include codes of conduct in form and substance acceptable to the Bank, detailing, *inter alia*, measures that need to be undertaken by contractor and sub-contractors on environmental, health and safety.
- 2. Except as the Bank shall otherwise agree, the Borrower shall ensure, and cause to ensure, that none of the provisions of the Safeguard Instruments is abrogated, amended, repealed, suspended or waived. In case of any inconsistencies between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.
- 3. For purposes of the Project, the Borrower shall: (a) ensure that the selection of any investment under the Project is done in accordance with the provisions of the ESMF and ESIA; (b) ensure the complete implementation of the site-specific ESMP(s) in a manner acceptable to the Bank, including all necessary measures to minimize and to mitigate any adverse environmental impacts caused by the

implementation of the investments under the Project; and (c) maintain the PMU, PIUs and DHCs with competent environmental specialists in adequate numbers and with such responsibilities and functions acceptable to the Bank as shall enable the PMU, the PIUs and the DHCs to manage, coordinate and monitor the implementation of the site-specific ESMP(s) for the Project.

4. Prior to the commencement of works under any investment for each proposed site, the Borrower, through the PMU and the respective PIU and DHC, shall ensure that: (a) the related ESMP(s) are prepared in accordance with the ESMF and ESIA; (b) the proposed design and site for said works incorporate the provisions of the ESMPs; (c) the provisions of said ESMPs are adequately included in the proposed contract for said works; and (d) such works are carried out in accordance with the respective site-specific ESMPs.
5. The Borrower shall, throughout the period of Project implementation:
 - (a) take all measures necessary on its part to collect, compile, and furnish to the Bank through Project Reports, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the Safeguard Instruments, all such reports in form and substance acceptable to the Bank, setting out, among other things: (i) the status of implementation of the Safeguard Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the Safeguard Instruments; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) promptly notify the Bank of any incident or accident related to or having an impact on the Project, which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers.
6. The Borrower shall ensure that all technical assistance under the Project shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Bank, such terms of reference to ensure that the technical assistance takes into account, and calls for, application of the Bank's Safeguard Policies.
7. The Borrower shall prepare and maintain, throughout Project implementation, and publicize the availability of a grievance redress mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism, in particular related to the implementation of activities under Part 2 of the Project, in a manner satisfactory to the Bank.

Section II. Project Monitoring, Reporting and Evaluation

The Borrower shall 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: (a) finance Eligible Expenditures; and (b) pay: (i) the Front-end Fee; and (ii) each Interest Rate Cap or Interest Rate Collar premium; 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 EUR)	Percentage of Expenditures to be Financed (inclusive of taxes)
(1) Goods, Works, non-consulting services, consulting services, Training and Operating Costs for the Project except for Part 2 (c) and Part 3 of the Project	87,925,000	100%
(2) Goods, non-consulting services, consulting services and Training under Part 3(a) of the Project	60,000	30%
(3) Goods, non-consulting services, consulting services and Training under Part 3(b) of the Project	125,000	7%
(4) Goods, non-consulting services, consulting services, Training and Operating Costs under part 3(d) of the Project	1,665,000	93%
(5) Front end fee	225,000	Amount payable pursuant to Section 2.03 of the Agreement in accordance with Section 2.07 (b) of the General Conditions
(6) Interest Cap or Interest Rate Collar Premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	90,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.
2. The Closing Date is April 30, 2025.

Section IV. Other Undertakings

The Borrower shall ensure that, upon Project completion, the energy savings of renovated MABs continue to be assessed after a full heating season of the Borrower by a qualified expert, including a company, selected in accordance with criteria described in the POM.

SCHEDULE 3

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 May 15 and November 15 Beginning November 15, 2024 through November 15, 2038	3.33%
On May 15, 2039	3.43%

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. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “Co-financier” means the European Investment Bank.
4. “Co-financing” means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount equivalent to 90 million Euro to be provided by the Co-financier to assist in financing the Project.
5. “Co-financing Agreement” means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.
6. “District Heating Company” or “DHC” means the Borrower’s district heating company for the purpose of providing heating and other utility services to public and commercial housing in the Borrower’s territory for which the sites were selected in accordance with the criteria and procedures defined in the POM and DHCs means, collectively, all such DHC, and any successor thereto.
7. “Energy Efficiency Department” or “EED” means the Borrower’s State Committee of Standardization established pursuant to a Decree of the President of the Borrower No. 289, dated May 5, 2006 and a Resolution No. 981, dated July 31, 2006 of the Council of Ministers of the Borrower, or any successor thereto.
8. “Environmental and Social Impact Assessment” and “ESIA” means the assessment, to be prepared by the Borrower, satisfactory to the Bank, to be disclosed on the Bank’s website as said instrument may be updated from time to time with the prior written agreement of the Bank.
9. “Environmental and Social Management Framework” or “ESMF” means the framework for the Project prepared by the Borrower, and disclosed on the EED’s website on April 2, 2019 and on the Bank’s website on April 2, 2019 which sets forth, *inter alia*, the modalities for site-specific environmental and social screening, including: (a) guidelines for the identification of existing environmental and social conditions and potential direct and indirect environmental and social impacts and risks resulting from the carrying out of the Project; (b) guidelines for the carrying out of environmental and social assessments and the preparation of environmental and social management plans (ESMPs), when applicable; (c) recommendation of

mitigation measures for each negative impact identified; (d) measures for enhancing each identified positive impact; and (e) guidelines for the preparation of environmental and social monitoring plans for tracking the application of the mitigation measures, as said framework may be amended from time to time with the Bank's prior approval.

10. "Environmental and Social Management Plan(s)" or "ESMPs" means site-specific environmental social management plans, satisfactory to the Bank, comprising environmental mitigation plans and environmental monitoring plans to be prepared and adopted by the Borrower pursuant to the ESMF, wherein are set forth specific details of measures to manage identified or potential environmental and social risks and to mitigate, reduce and/or offset adverse environmental and social impacts associated with the implementation of activities under the Project, together with an environmental and social baseline for each site, details of the relevant environmental legislative framework, adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with each ESMP, as the same may be amended and supplemented from time to time with the Bank's prior written approval.
11. "GEF Grant Agreement" means the agreement of same date hereof between the Borrower and the Bank, acting as Implementing Agency of the GEF, providing for the GEF Co-financing for an amount of three million six hundred fifty-three thousand Dollars (USD 3,653,000).
12. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing", dated December 14, 2018.
13. "MAB" means multi-apartment building and the term MABs means, collectively, all such MAB.
14. "Municipal Contracting Authority" and "MCA" means the Borrower's entity responsible for implementing specific thermal renovation projects in individual participating municipalities of the Selected Oblasts selected in accordance with the criteria and procedures defined in the POM, and MCAs means, collectively, all such MCAs, or any successor thereto.
15. "Oblast Expertise" or "OE" means the Borrower's agency in charge of reviewing and approving technical aspects of thermal renovation projects.
16. "Operating Costs" means the incremental expenses incurred by the PMU and each PIU, on account of Project implementation, which would not exist absent the Project, and includes the costs for office rent, operation and maintenance of vehicles, office equipment and supplies, communication costs, support for information systems, translations, bank charges, travel and *per diem* costs, salaries

of incremental contractual staff (excluding consulting services and salaries of officials of the Borrower's civil service), office administration costs, and other reasonable expenditures directly associated with the carrying out of the Project, as agreed by the Bank; and based on an annual budget acceptable to the Bank.

17. "Partially Repayable Grant Scheme" means the program for thermal renovation of MABs under which the Borrower requests repayment of part of the investment cost incurred for carrying out the TRP as described under Part 2 (d) of the Project in Schedule 1, and Section I.B.2 in Schedule 2, to this Agreement.
18. "PIU" or "Project Implementation Unit" means the unit within the PMU established in accordance with the criteria and procedures satisfactory to the Bank, and PIUs means, collectively, all such PIUs.
19. "PMU" or "*RUE Belinvestenergoberezhnie*" means the unit within the EED established pursuant to Regulation No. 1311 of the Borrower's Council of Ministers, dated October 3, 1997, responsible of the Project implementation, or any successor thereto.
20. "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, revised November 2017 and August 2018.
21. "Program for Thermal Renovation" means the Borrower's program to upgrade eligible MABs by carrying out TRPs and establishing a mechanism of partially repayable grant scheme.
22. "Project Operations Manual" or "POM" means the manual for the Project, to be prepared and adopted by the Borrower, satisfactory to the Bank, describing and setting forth procedures for implementation of the Project and institutional arrangements, including coordination with the PMU Project Director and PIU's Project Coordinators appointed by the Borrower, consistent with the provisions of this Agreement and with applicable laws and regulations and including, *inter alia*, timetables of actions required to be carried out under the Project, the respective roles and responsibilities of the agencies involved in the implementation of the Project, criteria for the use of grants under Part 2 (c) of the Project, staffing, 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 by agreement with the Bank.

23. "Safeguard Instruments" means collectively, the ESIA, ESMF and ESMP and "Safeguard Instrument" means any of such Safeguards Instruments
24. "Selected Oblasts" means the two oblasts within the Borrower's territory, namely Grodno and Mogilev, selected in accordance with the criteria and procedures agreed with the Bank in which TRPs and the piloting of a PRG scheme shall be carried out under Part 2 of the Project.
25. "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.
26. "Thermal Renovation Project" or "TRP" means an activity to be carried out by the Borrower under Part 2 (a) through (c) of the Project, and TRPs means, collectively, all such TRPs.
27. "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 described in the Project.