Re: Ukraine: EURoPAF TF Grant No TF045324
Strengthening Public Resource Management Project
Letter Agreement

Excellency:

In response to the request for financial assistance made on behalf of Ukraine ("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 the European Commission on behalf of the European Union ("Donor") under the EC - World Bank Partnership Program for Europe and Central Asia Programmatic Single-Donor Trust Fund (EU Programme for the Reform of Public Administration and Finances (EURoPAF) (TF072780), proposes to extend to the Recipient a grant in an amount not to exceed Euro three million thirty thousand six hundred sixty-one (EUR 3,030,661) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex and Appendix, 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 from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is 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.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Satu Kähkönen
Country Director
Belarus, Moldova and Ukraine
Europe and Central Asia Region

AGREED:
UKRAINE

By

Authorized Representative

Name
Stefan Kubiv
First Vice Prime Minister of Ukraine
Title
Minister of Economic Development and Trade of Ukraine
Date: June 30, 2017

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with "Disbursement Guidelines for Investment Project Financing" dated February 2017
Article I
Standard Conditions; Definitions

1.01. Standard Conditions. The “Standard Conditions for Grants Made by the World Bank out of Various Funds” dated February 15, 2012 (“Standard Conditions”), with the modifications set forth in the Appendix to this Agreement, 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 and the following additional terms have the following meanings:

(a) “ICT” means Information and Communication Technology.

(b) “HRMIS” means Human Resources Management Information System.

(c) “MOF” means the Ministry of Finance of the Recipient.

(d) “NCSA” means the National Civil Service Agency of the Recipient.

(e) “PFM” means Public Financial Management.

(f) “Project Operational Manual” or “POM” means the manual to be adopted by the Recipient pursuant to Section 4.01(a) of this Agreement, describing procedures for implementation of the Project, consistent with the provisions of this Agreement and with the national laws and regulations of the Recipient and including, inter alia: (i) procedures governing administrative, procurement, accounting, financial management, adequate measures for audits and complaint mechanisms in case of misuse of the proceeds of the Grant; and (ii) monitoring and evaluation arrangements.

(g) “Operating Costs” means the incremental operating expenses incurred on account of the coordination, implementation, and monitoring and evaluation of the Project, including office equipment; office rental charges; fuel and vehicle maintenance costs; meeting expenses; communication and publication costs, but excluding salaries of the Recipient’s civil servants and sitting allowances.

(h) “Training” means the reasonable costs associated with training for selected participants, including travel and subsistence costs for participants, fees and costs associated with securing the services of trainers and speakers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training course.
Article II
Project Execution

2.01.  *Project Objectives and Description.* The objective of the Project is to increase capacity of Ukraine in effective and transparent management of its resources.

The Project consists of the following parts:

**Part A: Strengthening Human Resource Management in Public Administration Institutions**

(i) Support the preparation of a software application concept design to specify functional requirements of the system, its architecture, expected system output, interface between the HRMIS/Payroll system with information systems in the MOF and other national registers.

(ii) Carrying out analysis to select and implement cost-effective solutions for hosting, operating and maintaining the HRMIS/Payroll system, as part of system design and preparation of procurement documents.

(iii) Support the development of procurement documents for HRMIS/Payroll system.

(iv) Development (or adaptation, involving customization and parametrization), testing and implementation of HRMIS/Payroll software application across the targeted users, carrying out training of would-be users and data migration of basic personnel records, final testing, approval and acceptance of the system.

(v) Support NCSA to roll out HRMIS/Payroll system to selected civil service entities (according to an agreed plan), through: (a) undertaking stakeholder analysis to identify change management interventions; (b) developing normative act(s) regulating the use of the HRMIS/Payroll system, including the alignment with personal data protection clauses in the current legislation; (c) developing relevant manuals/instructions; (d) raising awareness of reforms through online platforms and other communication activities; (e) establishing arrangements for monitoring and reporting on implementation of reforms; and (f) establishing a support group and help desk to respond to user enquiries.

(vi) Support Training of trainers and delivery of pilot training of HRMIS/Payroll system users, as part of the system development process.

**Part B: Support to PFM Strategy Implementation**

(i) Support the implementation of the PFM Reform Strategy for 2017-2020 and identify future investments in ICT for PFM, through carrying out an ICT audit, including: (a) an inventory of all ICT applications, hardware and infrastructure; (b) an assessment of the ICT systems’ maintenance and service arrangements; (c) an assessment of alignment of ICT capability with current and planned business requirements; and (d) an assessment of data integrity and data protection arrangements.

(ii) Support to carry out: (a) an analysis of current IT solution for budget planning from functional and information technology aspects and recommendations on
improvements; and (b) develop functional requirements for upgrading the current or developing a new budget planning module with web access for budget executing entities that would enable automated consolidation of budget submission and support medium-term budgeting.

(iii) Support to upgrading current ICT equipment for business continuity at MOF.

(iv) Strengthening ICT systems’ capabilities to ensure timely information exchange needed for cash management and forecasting, provided that MOF has determined information flow requirements in collaboration with the United States Treasury technical assistance team.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Part A of the Project through NCSA and Part B of the Project through MOF, in accordance with the provisions of: (i) Article II of the Standard Conditions; (ii) 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 (“Anti-Corruption Guidelines”); and (iii) this Article II.

2.03. Institutional and Other Arrangements.

The Recipient shall cause NCSA and MOF to:

(a) maintain at all times during Project implementation, professional staff in adequate numbers and with terms of reference, qualifications and functions acceptable to the World Bank, to perform all Project related functions including, inter alia, procurement and financial management; and

(b) carry out the Project in accordance with the POM, and shall not amend or waive any of its provisions without the prior written agreement of the World Bank. In the event of any inconsistency between the provisions of the POM and those of this Agreement, the provisions of this Agreement shall prevail.

2.04. Donor Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank shall reasonably request, on the basis of the visibility note made available by the World Bank to the Recipient, to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. Documents, Records.

In addition, and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

(a) all records evidencing expenditures under the Project are retained for seven years and six (6) months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient’s financial and narrative progress reports
submitted to the World Bank; (iii) the Recipient’s financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient’s implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donor.

2.06. Project Monitoring, Reporting and Evaluation.

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 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.

2.07. 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 forty-five (45) days after the end of each calendar semester, covering the semester, 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 audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.08. Procurement

(a) All Goods, Works, Consultants’ services, Training, and Operating Costs 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 the “World Bank Procurement Regulations for Borrowers under Investment Project Financing” dated July 1, 2016 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Project (“Procurement Plan”) dated June 12, 2017 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

(b) Procurement Documents. Procurement Documents shall require the Bidder, Proposer or Consultant to provide the Recipient with digital copies of its Bid or Proposal (as the case may be, and as all such terms are defined in the Procurement Regulations).

(c) Right to use Project outputs. To the extent the Recipient has the intellectual property rights to Project outputs and subject to any third party proprietary or confidential
obligation it may have, the Recipient shall grant the Donor the right to use such outputs for purposes limited to the development, implementation and monitoring of EU programs, including distribution to the public, translation, storage and archiving.

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: (i) the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures 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 (expressed in EUR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consulting services; Training; and Operating Costs under Part A of the Project</td>
<td>1,920,043</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, consulting services, Training, and Operating Costs under Part B of the Project</td>
<td>1,110,618</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,030,661</td>
<td></td>
</tr>
</tbody>
</table>

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 this Agreement.

3.03. Withdrawal Period. The Closing Date (“Closing Date”) referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2019.
Article IV
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied, namely that the Recipient has prepared and adopted the Project Operations Manual (POM), in form and substance satisfactory to the World Bank.

4.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.03. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V
Recipient's Representative; Addresses

5.01. Recipient's Representative. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Economic Development and Trade.

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

Ministry of Economic Development and Trade
12/2, Hrushevskogo Str.,
Kyiv, Ukraine

5.03. 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
Facsimile: 1-202-477-6391
APPENDIX
Modifications to the Standard Conditions

The Standard Conditions are hereby modified as follows:

1. (a) Paragraph (c) of Section 3.06. (Eligible Expenditures) is modified to read as follows:

"The Recipient shall ensure that the proceeds of the Grant are used exclusively to finance expenditures which, except as otherwise provided in the Grant Agreement, satisfy the following requirements ("Eligible Expenditures"):

(a) the payment is for the reasonable cost of goods, works or services required for the Project, to be financed out of the proceeds of the Grant and procured, all in accordance with the provisions of the Grant Agreement;

(b) the payment is not prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(c) the expenditures are incurred, and the payments are made: (i) during the dates specified in the Grant Agreement for that purpose; and (ii) except as the World Bank may otherwise agree, the expenditures are incurred prior to the Closing Date."