Loan Agreement

(Social Safety Nets Modernization Project)

between

UKRAINE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 9, 2014
LOAN AGREEMENT

Agreement dated July 9, 2014, between UKRAINE ("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 three hundred million Dollars (US$300,000,000), 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 I 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 June 15 and December 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of 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: (A) 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 (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding 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 or the Reference 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 or the Reference 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.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 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 Parts 1 and 2 of the Project through its MOSP, and Part 3 of the Project through its MOSP and USIF (as provided in Section I.A.1(d) of Schedule 2 to this Agreement), 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 — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consists of the following:

(a) The Borrower’s GMI Program Legislation has been amended, suspended, abrogated, repealed or waived, so as to affect materially and adversely the ability
of the Borrower to carry out the Project or to perform any of its obligations under this Agreement.

(b) The USIF Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of USIF to perform any of its obligations under the Project.

(c) The Administrative Agreement has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower and USIF to carry out their respective parts of the Project.

4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in paragraphs (a), (b), and (c) of Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following, namely that the Borrower, through MOSP, has adopted the POM, satisfactory to the Bank.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.03. Any amendment to this Agreement shall be executed by agreement of the parties hereto in accordance with the provisions of Section 10.02 of the General Conditions. Such amendment shall become effective as set forth in the amending agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister of Finance.

6.02. The Borrower’s Address is:

Ministry of Finance
12/2 Hrushevsky St.
Kyiv, 01008
Ukraine

Facsimile:

(380-44) 425-90-26
(380-44) 277-54-82
6.03. 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: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

AGREED at Kiev, Ukraine, as of the day and year first above written.

UKRAINE

By __________________________

Authorized Representative

Name: Aleksandr Shlapak

Title: Minister of Finance

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By __________________________

Authorized Representative

Name: Alexander Pankov

Title: Acting Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve the performance of the Borrower’s social assistance and social services system for low-income families.

The Project consists of the following parts:

Part 1. Improving Social Assistance Provision to the most Vulnerable

Provision of financing of Payments under the EEP in support of the expansion of the GMI Program, in accordance with the provisions set forth in Section IV of Schedule 2 to this Agreement, specifically in the following three key areas:

(a) increased access of the extreme poor to the GMI Program;

(b) improved administration of social benefits and social services; and

(c) enhanced provision of family-based care to support orphans, children deprived of parental care, families in need and vulnerable families.

Part 2. Supportive Investments for Institutional Strengthening for Administration of Social Assistance and Social Services

2.1. Strengthening institutions and improving information management through:

(a) transformation of the management information system (MIS) into a web-based system;

(b) application software development to include modules aimed to automate business processes for social services delivery, automate business processes for social inspection activities, and improve automation of processes used for full and comprehensive accounting of data regarding orphans, children deprived of parental care and children in difficult living conditions, as well as to modernize the unified state registry of privileged citizens, and development of an integrated information security system;

(c) provision of hardware and standard software, office equipment, furniture and installation of local area network for MOSP, selected governmental bodies of all levels responsible for social protection of the population, families and children, centers for social services for families, children and youth, offices for children affairs, territorial centers, resident homes, centers for rehabilitation of the disabled and centers for the homeless; and
training of local level social workers of the above offices and institutions to operate the new MIS and on the new models for social work.

2.2. Developing, establishing and implementing mechanisms to strengthen oversight and controls through:

(a) support for revisions in legislation and regulations related to the status of the Borrower’s social inspectorate and its investigative powers, recovery of over-payments and sanctions policy;

(b) development of operational manuals for the social inspectors;

(c) training of social inspectors;

(d) assistance in conducting one thematic inspection per one of risk-prone social assistance program;

(e) development of a risk-profiling system and assistance in conducting one thematic inspection using an adequate risk-profiling system;

(f) establishment of a hot-line to serve as a channel of redress; and

(g) provision for the social inspectorate of the necessary office equipment, vehicles, furniture and hardware.

2.3. Developing new business models for administering benefits and services through:

(a) development of an institutional framework for outsourcing services;

(b) development of service delivery standards for administration of benefits and services and social patronage of families in difficult living conditions; and

(c) development of options to support the beneficiaries’ graduation agenda, through development of activation measures.

2.4. Improving communications, promotion and outreach through supporting the development and implementation of a communications and outreach strategy to support the expansion of GMI Program and the child de-institutionalization reform.

2.5. Project coordination and management through provision of Project implementation support, including technical assistance to manage and monitor financial management and procurement, implementation of deinstitutionalization plans and service outsourcing in selected oblasts, and financing of Training and Operating Costs.
Part 3. Supportive Investments for Increasing Provision of Family-based Care to support orphans, children deprived of parental care, disabled children and vulnerable families in four Oblasts

3.1 Implementation of investments for:

(a) childcare de-institutionalization by providing orphans and children deprived of parental care and disabled children with a family environment through foster care, adoption and placement in family-type homes;

(b) transformation of residential institutions; and

(c) purchasing of new services from private and non-governmental providers for vulnerable families,

through financing of goods, works, services, equipment and furniture for family homes and internats, as well as training and retraining of social workers.

3.2 Technical assistance for the design and implementation of transformation plans for transforming residential care into family based care in selected Oblasts.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall:

(a) be responsible for the overall implementation of the Project through its MOSP and shall ensure that the Project is carried out in accordance with the procedures set forth in the POM and shall ensure that the POM is not amended, suspended, abrogated, repealed and that no provision of the POM is waived, without prior approval of the Bank;

(b) through MOSP, and other relevant governmental institutions in its subordination and/or coordination, carry out the agreed activities in order to achieve the agreed results of the Project;

(c) through MOSP, maintain the PMG within MOSP, throughout the duration of the Project, in a form and with functions, staffing (including consultants) (under terms of reference, qualifications and scope of responsibilities), and adequate resources, all satisfactory to the Bank and as further set forth in the POM; the PMG shall be responsible for taking strategic decisions, guiding Project implementation, and day to day implementation of the Project (except for the responsibilities to be carried out by USIF under the Project as set forth in paragraph (d) below;

(d) (i) through MOSP, make funds required for implementation of Part 3 of the Project available to USIF, through state budget allocation, in accordance with the Borrower’s applicable laws and regulations; (ii) enter into and maintain the Administrative Agreement throughout Project implementation; (iii) cause USIF to update the USIF Manual, and to maintain USIF, during Project implementation, with a management structure and in a form and with functions, staffing (including consultants), (under terms of reference, qualifications and scope of responsibilities) and resources, all adequate for Project implementation and satisfactory to the Bank; (iv) cause USIF to be responsible for all financial management, procurement and environmental and social compliance functions for the civil works for social facilities under Part 3 of the Project, in particular, administering the proceeds of the Loan, procurement of goods, works and services, managing all financial management aspects related to such investments, making payments to suppliers, and ensuring screening for, and compliance with, environmental and social safeguards; and (v) cause USIF to carry out such activities in accordance with the POM, the EMF, and any site-specific EMPs, the USIF Manual, the Administrative Agreement and the Anti-Corruption Guidelines.
2. (a) During Project implementation, the Borrower shall cause the ACU, or such other entity, acceptable to the Bank, as the Bank may agree, to carry out, in a manner satisfactory to the Bank, performance audits of the Project, covering inter alia: (i) an evaluation that eligibility criteria are correctly applied and determination of whether GMI Program benefits funding reaches the intended beneficiary population; (ii) assessment of the program administration, oversight and control, including the assessment of mechanisms for monitoring and evaluation, control, institutional responsibilities and capacity, including staffing, of internal controls in the social assistance system, including efficiency of error and fraud control function, adequacy of measuring and reporting on monitoring indicators and DLIs; (iii) testing of the robustness of internal controls, integrity of fund accountability processes and effectiveness of risk management and oversight arrangements for the entire Project; and (iv) such other matters set forth in the terms of reference for such audit, as agreed with the Bank. In addition, the final performance audit shall include an audit of the automated social assistance information system by determining whether the system is safeguarding assets, maintaining data integrity, and operating effectively to achieve the organizational goals and objective.

(b) The first performance audit shall cover the first fiscal year of Project implementation, as agreed with the Bank, and thereafter, performance audits shall cover every two fiscal years of Project implementation. The Borrower shall ensure that the performance audit reports are furnished to the Bank not later than six (6) months after the end of each respective audit period.

B. Anti-Corruption

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

C. Investments in Social Facilities under Part 3 of the Project

1. The Borrower, through MOSP, shall cause USIF to screen and evaluate investment proposals for civil works for social facilities under Part 3 of the Project, all in accordance with eligibility criteria, selection methods and procedures acceptable to the Bank, as further set forth in the POM.

2. The Borrower, through MOSP, shall:

(a) enter into, and maintain throughout Project implementation, memoranda of understanding with each selected Oblast for the purpose of causing such Oblast to be responsible for supervision of the respective investment;

(b) ensure that USIF remain responsible for all financial management, procurement and environmental and social compliance functions for the civil works of each investment, in particular, administering the proceeds of the Loan, procurement of goods, works and services, managing all financial management aspects related to
such investments, making payments to suppliers, and ensuring screening for, and compliance with, environmental and social safeguards.

D. Environmental and Social Safeguards

1. The Borrower shall ensure, and cause USIF to ensure, that the Project activities are carried out in accordance with the EMF, and any site specific EMPs, including the guidelines, rules and procedures defined in said instruments. To that end, the Borrower shall ensure, and shall cause USIF to ensure, that the following actions are taken in a manner acceptable to the Bank:

   (a) if an Environmental Management Plan would be required for any Project activity or investment on the basis of the EMF: (i) such EMP shall be prepared in accordance with the requirements of the EMF, disclosed locally and furnished to the Bank; (ii) adequate and meaningful consultations shall be carried out on said EMP; and (iii) the activities or investment shall be carried out in accordance with such EMP;

   (b) no works shall be commenced on any site until all measures required to be taken under the EMP prior to the initiation of said works have been taken.

2. The Borrower shall ensure that no works under the Project involve the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower, through MOSP, 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 acceptable to the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank and the Borrower's Ministry of Economic Development and Trade not later than forty-five (45) days 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. Without limitation on the provisions of Part A of this Section, 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 two fiscal years of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

4. Notwithstanding the above, the Bank may, if it deems necessary, request the Borrower to furnish annual audits of the Financial Statements. Such annual audits of the Financial Statements shall be furnished to the Bank not later than six (6) months after the date of the Bank’s request.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting 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 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; (b) Direct Contracting; and (c) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Procedures for the Selection of Individual Consultants; (b) Single-source procedures for the Selection of Individual Consultants; (c) Selection based on Consultants’ Qualifications; (d) Selection under a Fixed Budget; and (e) Least-Cost Selection.

D. **Review by the Bank of Procurement Decisions**

1. 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.

2. The Borrower shall:

   (a) No later than December 31 of every year during the implementation of the Project, beginning on December 31, 2014, prepare and furnish to the Bank a procurement progress report (Procurement Progress Report), in form and substance acceptable to the Bank, which shall include, *inter alia:* (i) a description of issues arising during the full procurement cycle under the Project, from design through planning, bidding, contract implementation and completion; (ii) a list of proposed measures and actions to be taken to resolve the issues identified under (i) above; and (iii) a proposed timeline for the implementation of the said measures and actions.

   (b) No later than January 31 of every year during the implementation of the Project, beginning on January 31, 2015, exchange views with the Bank on the results of the Procurement Progress Report completed for the Borrower’s previous calendar year and thereafter implement such recommended measures, as agreed with 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.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Payments under the EEP under Part 1 of the Project</td>
<td>200,000,000</td>
<td>100% of the amount up to withdrawal ceiling set forth in the table in paragraph B.2 (a) of this Section</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants’ services, Operating Costs and Training under Parts 2 and 3 of the Project</td>
<td>99,250,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>750,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(4) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>300,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments under Category (1) with respect to each tranche, as set forth in the table in paragraph B.2 (a) of this Section, for which withdrawal request has been submitted, unless the Borrower, through MOSP, has submitted evidence satisfactory to the Bank that Payments under the EEP have been made to eligible beneficiaries by the Borrower in accordance and in compliance with the procedures set forth in the Borrower’s applicable laws and regulations;

   (b) for payments under Category (2), unless the Borrower, through MOSP, and USIF have executed the Administrative Agreement, satisfactory to the Bank regulating (i) the responsibilities of USIF in Project implementation; and (ii) payment procedures through the Borrower’s State Treasury; and

   (c) for payments made prior to the date of this Agreement.

2. Notwithstanding the provisions of Part A of this Section and without limitation to the provision set forth in paragraph 1 above, withdrawals under Category (1) above may be made by the Borrower as follows:
Withdrawals shall be made in one (1) to seventeen (17) tranches and in amounts not exceeding the total of the ceilings per each respective DLI provided in the table below, subject to submission to the Bank of evidence satisfactory to the Bank and as defined in the POM that the following DLIs have been achieved:

<table>
<thead>
<tr>
<th>Disbursement-linked indicator (DLI)</th>
<th>Withdrawal ceiling (expressed in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Monthly number of GMI beneficiaries families reaches 200,000 and is maintained for, at least, 3 consecutive months</td>
<td>20,000,000</td>
</tr>
<tr>
<td>2. Monthly number of GMI beneficiaries families reaches 250,000 and is maintained for, at least, 3 consecutive months</td>
<td>20,000,000</td>
</tr>
<tr>
<td>3. Monthly number of GMI beneficiaries families reaches 300,000 and is maintained for, at least, 3 consecutive months</td>
<td>20,000,000</td>
</tr>
<tr>
<td>4. Improved mechanisms of the GMI Program adopted and implementation started including simplified application procedures so as to lead to better targeting of the poor</td>
<td>10,000,000</td>
</tr>
<tr>
<td>5. Mechanisms of activation services delivery for work-able GMI beneficiaries developed for piloting and the pilot in 3 oblasts started</td>
<td>10,000,000</td>
</tr>
<tr>
<td>6. Piloting activation services for workable GMI beneficiaries completed in 3 oblasts</td>
<td>10,000,000</td>
</tr>
<tr>
<td>7. Activation services delivery for work-able GMI beneficiaries implemented nation wide</td>
<td>15,000,000</td>
</tr>
<tr>
<td>8. Social Inspectorate established at the Ministry of Social Policy</td>
<td>20,000,000</td>
</tr>
<tr>
<td>9. Inspection of 80% of all GMI beneficiaries’ cases is completed</td>
<td>10,000,000</td>
</tr>
<tr>
<td>10. Inspection of GMI program is completed based on analyzed discrepancies found during data exchange with external databases, and proposals regarding remedy actions and error corrections are provided</td>
<td>10,000,000</td>
</tr>
<tr>
<td>11. Two thematic inspections: one for GMI and one risk-prone social assistance program is completed using an adequate risk-profiling system</td>
<td>10,000,000</td>
</tr>
<tr>
<td>12. 70% of Local welfare offices process applications for social assistance benefits in new MIS</td>
<td>10,000,000</td>
</tr>
<tr>
<td>13. A performance monitoring module for social benefits is operationalized in MIS</td>
<td>5,000,000</td>
</tr>
<tr>
<td>Disbursement-linked indicator (DLI)</td>
<td>Withdrawal ceiling (expressed in USD)</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>14. The MIS expanded with a module for social services and module is tested in 2 oblasts</td>
<td>5,000,000</td>
</tr>
<tr>
<td>15. The MIS that process benefits and social services is operationalized nation-wide</td>
<td>10,000,000</td>
</tr>
<tr>
<td>16. Legal framework adopted for residential care transformation and family-based care development for orphans and children deprived of parental care</td>
<td>5,000,000</td>
</tr>
<tr>
<td>17. Number of children in residential care institutions in three pilot oblasts decreased by 40 percent compared to baseline</td>
<td>10,000,000</td>
</tr>
</tbody>
</table>

(b) If, at any time, the Bank determines that any portion of the amounts disbursed by the Bank to the Borrower under Category (1) was: (a) made for reimbursement of expenditures which are not eligible under the EEP; or (b) not in compliance with the provisions of Section IV.B.2 (a) and the provisions of the POM, the Borrower shall promptly refund any such amount to the Bank as the Bank shall specify by notice to the Borrower.

3. The Closing Date is October 1, 2020.
ANNEX

to

SCHEDULE 2

Mandatory Provisions for Procurement under
Bank-Financed Contracts Subject to National Competitive Bidding

The procedure to be followed for National Competitive Bidding ("NCB") shall be the Open Tender Procedure set forth in the Law on Public Procurement No. 1197-VII, dated April 10, 2014 (the PPL), provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” (January 2011) (the “Procurement Guidelines”) and the following additional provisions:

(i) Bidding Documents, acceptable to the Bank, shall be used.

(ii) The eligibility of bidders to participate in a procurement process and to be awarded a Bank-financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Bank for reasons other than those provided in Section I of the Procurement Guidelines.

(iii) After the public opening of the bids, information relating to the examination, clarification, and evaluation of bids and recommendations concerning awards shall not be disclosed to bidders or other persons not officially concerned with this process until the publication of the contract award notice.

(iv) Qualification criteria shall be clearly specified in the bidding documents. Qualification shall be assessed on a "pass or fail" basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder’s or prospective bidder’s capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (iii) capability of construction and/or manufacturing facilities. The availability of equipment, material and technical basis, including owning production facilities and/or service centers within the territory of Ukraine shall not be required as part of qualification requirements.

(v) Government-owned enterprises are eligible to bid only if they (i) are legally and financially autonomous, (ii) operate under commercial law, and (iii) are not dependent agencies of Borrower or Sub-Borrower.

(vi) Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be
quantified in monetary terms. Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation.

(vii) If required, bid security amount shall not exceed two percent (2%) of the estimated cost of the contract.

(viii) No advance payments shall be made to contractors-suppliers without a suitable advance payment security.

(ix) No domestic preference shall be granted in bid evaluation on the basis of bidder nationality, origin of goods or services, and/or preferential programs. Contracts shall be awarded to the qualified bidder whose bid has been determined: (i) to be substantially responsive to the bidding documents, and (ii) to offer the lowest-evaluated cost. A bidder shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

(x) No bid shall be rejected on the basis of a comparison with the employer's estimate or budget allocation ceiling without the Bank's prior concurrence.

(xi) All bids (including in the case when less than two bids are received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Bank's prior concurrence.

(xii) Restrictions to the contract amendments, as contemplated under Article 40 of the PPL will not apply. With respect to contracts subject to the Bank's prior review, the Borrower shall obtain the Bank's no objection before agreeing to: (a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) any variation order or amendment which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (d) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Bank.

(xiii) The bidding document and contract as deemed acceptable by the Bank shall include provisions stating the Bank's policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

(xiv) In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Bank financing shall provide that bidders, suppliers, contractors and their subcontractors, agents, personnel, consultants, service providers, or suppliers to permit the Bank to inspect all accounts, records and other documents relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. Acts intended to materially impede the exercise of the Bank's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Guidelines.
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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 15 and December 15 Beginning December 15, 2019 through December 15, 2031</td>
<td>3.85%</td>
</tr>
<tr>
<td>On June 15, 2032</td>
<td>3.75%</td>
</tr>
</tbody>
</table>

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.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Definitions

1. "ACU" means the Accounting Chamber of Ukraine, the Borrower’s supreme audit institution, established pursuant to the Borrower’s Law "About the Accounting Chamber" #315/96-BP, effective July 11, 1996.

2. "Administrative Agreement" means the administrative agreement between MOSP and USIF referred to in Section IV.B.1(b), pursuant to which the Borrower regulates: (i) the responsibilities of USIF in Project implementation; and (ii) payment procedures through the Borrower’s State Treasury.


4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


6. "DLIs" means the Disbursement-linked Indicators as set forth in Section IV.B.2 (a) of Schedule 2 to this Agreement.

7. "EEP" means Eligible Expenditure Programs, namely a portion of the Borrower’s budgetary allocation for financing benefits under GMI Program.

8. "EMF" means the environmental management framework prepared by the Borrower, for the Project dated January 17, 2014, being the framework setting forth the modalities for site-specific environmental screening and procedures/actions for the preparation and implementation of environmental assessments and EMPs under the Project, setting forth the set of mitigation, monitoring, and institutional measures and procedures required under the Project, in order to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures, as the same may be amended from time to time with the agreement of the Bank.

9. "Environmental Management Plan" or "EMP" means any site-specific environmental management plan, prepared in accordance with the EMF and the provisions of Section I.D.1 of Schedule 2 to this Agreement and acceptable to the Bank, and giving details the specific actions, measures and policies designed to facilitate the achievement of the objective of the EMF, setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of Project activities and the Sub-projects, to offset or reduce adverse environmental impacts to levels acceptable to the Bank, including the budget and cost estimates, and sources of funding, along with the
institutional and procedural measures needed to implement such actions, measures and policies.


11. "GMI Program" means the Borrower’s enhanced last resort anti-poverty program called Guaranteed Minimum Income established by the Borrower’s Law "On State Social Assistance for Low-Income Families" dated June 01, 2000 No.1768-III.


14. "MOSP" means the Borrower’s Ministry of Social Policy and includes any successors thereto.

15. "MOF" means the Borrower’s Ministry of Finance and includes any successors thereto.

16. "Oblast" means a prime administrative-territorial unit of the Borrower forming the territorial basis for organization and operation of the local government bodies and local self-governments.

17. "Operating Costs" means the PMG’s and USIF’s reasonable and necessary incremental expenditures related to the management and implementation of the Project, all based on periodic budgets acceptable to the Bank, including on account of vehicle rental; rent of premises; miscellaneous utilities; bank charges; stationary and office supplies and equipment and hardware and their repair; upgrading of software; operation, maintenance and spare parts of equipment; consumables; transportation; local and international travel; communication and advertisement costs; printing and publications (electronic and/or paper); translation; and other expenditures as may be agreed with the Bank, but excluding consultants’ services and salaries or honoraria of officials and employees of the Borrower’s civil services.

18. “Payments under the EEP” means monthly transfer payments, conducted by the Borrower to eligible beneficiaries under the GMI Program, made in accordance with the eligibility criteria, terms and provisions set forth in the respective Borrower’s laws and regulations applicable to the GMI Program.

19. "PMG" means the MOSP’s Project Management Group for the Project, referred to in Section I.A.1(e) of Schedule 2 to this Agreement.

20. “POM” means the Project Operational Manual referred to in Section I.A.1 of Schedule 2 of this Agreement, adopted by the MOSP for the Project, as the same may be amended from time to time with the prior written approval of the Bank.

22. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 14, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

23. “Training” means Project-related training, and includes Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers’ contracts, including costs of training materials, space and equipment rental, reasonable and necessary local and international travel by participants in training activities, reasonable lodging and accommodation, subsistence and local and international per diem of trainees and trainers, registration, tuition and facilitators’ fees, translation and interpretation, and other training related miscellaneous costs, all based on budgets acceptable to the Bank.

24. “USIF” means the Ukrainian Social Investment Fund, established pursuant to the USIF Legislation.

25. “USIF Legislation” means the Borrower’s Cabinet of Ministers Resolution of April 28, 2000, N 740 about the formation of the Ukrainian Social Investment Fund.

26. “USIF Manual” means USIF’s operational manual, referred to in Section I.A.1(d) of Schedule 2 to this Agreement.