Loan Agreement

(Additional Financing for the Development of the State Statistics System for Monitoring the Social and Economic Transformation Project)

between

UKRAINE

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated December 25, 2012
LOAN AGREEMENT

Agreement dated December 25, 2012, between UKRAINE ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing additional financing to finance the cost of the activities under Parts E.2, 5 and 6 and F of the Original Project (as defined in the Appendix to this Agreement and revised in Schedule 1 to this Agreement). 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 Original Loan Agreement 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 ten million dollars ($10,000,000), 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"), for additional financing of the 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.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead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 January 15 and July 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 the Project through the SSSU 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, through the SSSU, shall ensure that the Project are carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - EFFECTIVENESS

4.01. The Additional Conditions of Effectiveness consist of the following, namely, the Operations Manual has been updated to the satisfaction of the Bank and said update has been approved by the SSSU.

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

4.03. 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 V - REPRESENTATIVE; ADDRESSES

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

5.02. The Borrower’s Address is:

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

Facsimile:
(380-44) 425 90 26

5.03. The Bank’s Address is:

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

Cable address: INTBAFRA
Telex: 24986(MCI) or 64145(MCI)
Facsimile: (1-202) 477-6391
AGREED at Kyiv, Ukraine, as of the day and year first above written.

UKRAINE

By ____________________________
Authorized Representative

Name: Oleksandr Osaulenko
Title: Chair

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By ____________________________
Authorized Representative

Name: Ivetlana Budagovskaya
Title: Acting Country Director
SCHEDULE 1

Project Objective and Description

The objective of the Project is to build a sustainable state statistical system which efficiently provides timely and accurate data for policy evaluation and decision making.

The Project consists of Parts E.2, 5 and 6 and F of the Original Project revised as set forth below:

Part E: Introduction of Modern Information and Communication Technology

Modernization of information and communication technology as the result of country-wide roll-out of the Integrated Statistical Data Processing System (ISDPS), including the strengthening of technical infrastructure through: (i) procurement of additional equipment and software for database management; (ii) expansion of the ISDPS functionality; and (iii) staff training to use and manage the ISDPS.

2. Source Data Collection, Processing and Storage Systems

(a) Strengthening of the ISDPS functionality through development of additional modules to ensure the correct introduction of changes to statistical surveys during their conduct, decrease of the duration and increase of the efficiency of the processes related to survey design and testing, data entry and aggregation; and (b) rolling-out of ISDPS at the regional level to ensure the staff training and establishment of the basis for further country-wide implementation of ISDPS.

5. Technical Infrastructure

Strengthening of technical infrastructure, including through: (i) procurement of new working stations and additional equipment to expand the technical infrastructure and improve the performance of work places for statisticians at the regional level; (ii) procurement of additional servers and software for central and regional levels to create the testing environment to ensure operational testing of each statistical survey before transferring it into the ISDPS; and (iii) modernization (upgrading) through technical support of Sybase standard software that were procured earlier and create the platform for the development and further implementation of the ISDPS.

6. Computerization and Human Resources

Carrying out of a specialized training of SSSU staff at the central and regional levels that will be involved in implementation and use of the ISDPS, including training on issues of input and control of primary data, statistical survey design, development and performance
of controls, calculations, compilation of output tables, ISDPS administration, etc., and creation of ISDPS’s user supporting center.

Part F: Project Management

Supporting the functioning of the Project Implementation Unit to ensure day-to-day Project management and performance monitoring, specifically in the areas of procurement and financial management, as to enable proper coordination of the Project activities implementation and carry out the audits of the Loan.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Borrower, through the SSSU, shall carry out the Project in accordance with the Operations Manual, updated in accordance with Section 4.01 of this Agreement and shall maintain said Operations Manual in form and substance satisfactory to the Bank. The Borrower, through the SSSU, shall not assign, amend, abrogate or waive said Operations Manual without obtaining the prior approval of the Bank.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Borrower, through the SSSU, 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 (1) calendar semester, and shall be furnished to the Bank with a copy to the MoEDT of the Borrower not later than one (1) month after the end of the period covered by such report.

2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution Project required pursuant to that Section shall be furnished to the Bank not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through the SSSU, 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, through the SSSU, shall prepare and furnish to the Bank within 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, through the SSSU, shall have the Project Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal is made. 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 and shall be made publicly available in a timely fashion and in a manner acceptable to the Bank.

Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods 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 and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and services (other than consultants' services), shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

3. Other Methods of Procurement of Goods and Non-consulting Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and services (other than consultants' services). The Procurement Plan shall specify the circumstances under which such methods may be used:
C. Particular Methods of Procurement of Consultants' Services

1. The following methods, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants' Qualifications; (c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (d) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.
<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) Goods and non-consulting services, consultants’ services and Operating Costs for the Project</td>
<td>9,975,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>25,000</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>(3) Interest Rate Cap or Interest Rate Collar Premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.07 (c) of this Agreement in accordance with Section 4.05 (c) of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>10,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is December 31, 2013.
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 January 15 and July 15</td>
<td></td>
</tr>
<tr>
<td>Beginning on July 15, 2020 through January 15, 2028</td>
<td>5.88%</td>
</tr>
<tr>
<td>On July 15, 2028</td>
<td>5.92%</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 repayable 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 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

(a) "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.

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

(c) "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.

(d) "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012.

(e) "ICT" means information and communications technology.

(f) "Ministry of Finance" or "MOF" mean the Borrower's Ministry of Finance established and functioning under the provisions of the Decree of the President of Ukraine No. 466/2011 dated April 8, 2011, "On the Statute of the Ministry of Finance of Ukraine".

(g) "Operations Manual" means the manual developed by the SSSU and adopted by its Order No. 49 dated January 11, 2004 and to be updated to include revised Parts E.2, 5 and 6 and F of the Original Project pursuant to Section 4.01 of this Agreement, setting forth the mechanisms and procedures of the Project management, in particular in the area of financial management and procurement, as the same may be amended from time to time upon agreement between the Borrower and the Bank.

(h) "Original Loan Agreement" means the Loan Agreement (Loan Number 4729 UA) between the Borrower and the International Bank for Reconstruction and Development (the Bank) dated July 15, 2004, as amended.

(i) "Original Project" means the Project described in the Original Loan Agreement.

(j) "Operating costs" means expenditures incurred to finance the reasonable and necessary expenses for the operations, administration and ordinary maintenance of the PIU, and which include office equipment and hardware and their maintenance costs, supplies, software, and the cost of communications, transportation, translation services and operational travel of the staff of the PIU.

(l) "Procurement Plan" means the Borrower’s procurement plan for the Project, dated October 17, 2012 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.

(m) "Project" means Parts E.2, 5, and 6 and Part F of the Original Project revised as set forth in Schedule 1 to this Agreement to be financed by the Loan.

(n) "Project Implementation Unit" or "PIU" means a group of consultants, established in October 2005 pursuant to the contracts between the State Statistics Service of Ukraine and individual consultants for the Original Project activities implementation, who will be responsible for the Project’s financial management, procurement, disbursement and Project reporting, evaluation and monitoring.


(p) "The Ministry of Economic Development and Trade of Ukraine" or "MoEDT" means the Borrower’s Ministry of Economic Development and Trade established and operating pursuant to a Decree of the President of Ukraine No. 634/2011 dated May 31, 2011, “Regarding the Regulation on the Ministry of Economic Development and Trade of Ukraine."