



LOAN NUMBER 8281BY

Loan Agreement

(Additional Financing for Energy Efficiency Project)

between

REPUBLIC OF BELARUS

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 24, 2013

LOAN NUMBER 8281BY

LOAN AGREEMENT

Agreement dated June 24, 2013, between REPUBLIC OF BELARUS (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix 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 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 ninety million Dollars (USD 90,000,000), 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 1 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 February 15 and August 15 in each year.

- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in 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.

ARTICLE III - PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project, through the EED, 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 Mogilevenergo shall have failed to perform any of its obligations under the Mogilevenergo Subsidiary Agreement.

- (b) The Gomelenergo shall have failed to perform any of its obligations under the Gomelenergo Subsidiary Agreement.

4.02. The Additional Events of Acceleration consist of, namely that any of the events specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) 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:

- (a) The Mogilevenergo Subsidiary Agreement has been duly executed on behalf of the Borrower and the Mogilevenergo; and
- (b) The Gomelenergo Subsidiary Agreement has been duly executed on behalf of the Borrower and the Gomelenergo.

5.02. The Additional Legal Matters consist of the following:

- (a) The Mogilevenergo Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Mogilevenergo and is legally binding upon the Borrower and the Mogilevenergo in accordance with its terms; and
- (b) The Gomelenergo Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Gomelenergo and is legally binding upon the Borrower and the Gomelenergo in accordance with its terms.

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

ARTICLE VI - REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is the Deputy Prime Minister of the Borrower.

6.02. The Borrower's Address is:

Council of Ministers
House of Government
Minsk, 220010
11 Sovetskaya Street
Republic of Belarus

Facsimile:

375 17 2226665

6.03. The Bank's Address is:

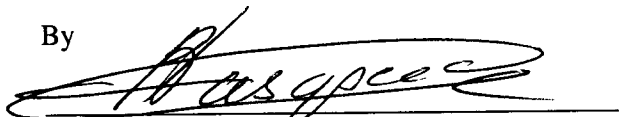
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Minsk, Republic of Belarus, as of the day and year first above written.

REPUBLIC OF BELARUS

By

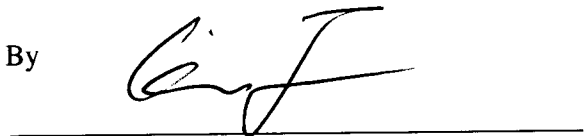

Authorized Representative

Name: VIKTOR V. NAZARENKO

Title: Chairman, State Committee
for Standardization

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By


Authorized Representative

Name: Qimiao Fan

Title: Country Director,
Ukraine, Belarus and Moldova

SCHEDULE 1

Project Description

The objective of the Project is to improve energy efficiency in heat and power generation in Selected Towns in the Borrower's territory.

The Project consists of the following parts included in the Original Project, as amended hereby solely for purposes of the Loan:

Part I: Conversion of Steam Turbine Based Combined Heat and Power Plants to Combined Cycle Gas Turbine Combined Heat and Power Plants

Provision of technical assistance, works, goods and training for conversion of existing steam turbine based combined heat and power plants in the Selected Towns to combined cycle gas turbine combined heat and power plants.

Part II: Design and Supervision Consultancy

Provision of technical assistance for the design and engineering of new plants to be financed under Part I of the Project.

Part III: Project Implementation and Management

Provision of goods, technical assistance and training to the PMU to assist in the Project implementation, coordination and management.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through the EED, with the assistance of the *Belinvestenergoberezhnie* (the PMU), shall oversee the overall Project implementation and management with due diligence and efficiency.
2. The Borrower shall maintain the PMU during the Project implementation with staff whose qualification and terms of reference shall be satisfactory to the Bank and resources adequate to enable it to effectively implement the Project which shall be responsible for the day-to-day management of the Project, including consolidated financial and procurement management and other Project-related tasks.
3. The Borrower shall, through the EED: (i) take action to ensure that the POM is applied and followed at all times in the implementation, monitoring and evaluation of the Project; and (ii) not assign, amend, abrogate or waive any provision of the POM without the prior approval of the Bank. In case of any conflict between the terms of this Agreement and those of the POM, the terms of this Agreement shall prevail.
4. The Borrower shall maintain the Part I Project Coordinators until completion of the Project, who shall work in close cooperation with the PMU, and be responsible for the coordination of Part I Project activities implementation.

B. Subsidiary Agreements:

1. For the purposes of carrying out Part I of the Project, the Borrower shall:
 - (a) enter into an agreement with the Mogilevenergo, under terms and conditions satisfactory to the Bank (the "Mogilevenergo Subsidiary Agreement"), which shall include: (i) Mogilevenergo's repayment obligations (including payment of interest and other charges thereon) to the Borrower for the portion of the Loan proceeds provided for the carrying out of its respective part of the activities under Part I of the Project; and (ii) their respective roles and responsibilities regarding the implementation of Part I of the Project, as set forth in the POM;
 - (b) enter into an agreement with the Gomelenergo, under terms and conditions satisfactory to the Bank, (the "Gomelenergo Subsidiary Agreement"), which shall include: (i) Gomelenergo's repayment obligations (including payment

of interest and other charges thereon) to the Borrower for the portion of the Loan proceeds provided for the carrying out of its respective part of the activities under Part I of the Project; and (ii) their respective roles and responsibilities regarding the implementation of Part I of the Project, as set forth in the POM; and

- (c) exercise its rights and carry out its obligation under the Mogilevenergo Subsidiary Agreement, or the Gomelenergo Subsidiary Agreement, as the case may be, in such manner as to protect the interest of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce the Mogilevenergo Subsidiary Agreement or the Gomelenergo Subsidiary Agreement, or any of their provisions.

C. Anti-Corruption

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

D. Safeguards

- 1. The Borrower shall, through EED, ensure that the Project is carried out in accordance with each respective EMP, and all measures necessary for the carrying out of the EMPs shall be taken in a timely manner. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the EMPs or any provision thereof.
- 2. The Borrower shall, through EED, ensure that the terms of reference for any consultancies related to the technical assistance provided under Part II of the Project, shall be satisfactory to the Bank and, to that end, such terms of reference shall require that the advice conveyed through such technical assistance be consistent with the requirements of the Bank's Safeguard Policies.

E. Other Undertakings

Without limitation to the provisions of Section 5.03 of the General Conditions, the Borrower shall provide, promptly as needed, the counterpart funds required for the implementation of the Project.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

- 1. The Borrower 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 the indicators agreed with the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to

the Bank not later than forty five (45) days 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 of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than four (4) months after the Closing Date.

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 pertinent 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 one fiscal year of the Borrower. The audited Financial Statements for each such period shall be: (a) furnished to the Bank not later than six (6) months after the end of such period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

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 the Procurement Guidelines, or 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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Shopping
(b)	Direct Contracting

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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Quality-Based selection
(b)	Selection Under Fixed Budget
(c)	Least-Cost Selection
(d)	Selection Based on Consultant's Qualification
(e)	Single Source Selection
(f)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultants Guidelines 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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (Inclusive of Taxes)
(1) Goods, works, consultants’ services (including audits) and Training under the Project	89,775,000	100%
(2) (Front-end Fee)	225,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	<u>90,000,000</u>	

3. For purposes of this Section, the term “Training” means Project related expenditures (other than those for consultants’ services) incurred by the PMU in connection with the carrying out of seminars and workshops, including the reasonable travel costs (e.g. accommodation, transportation costs and *per diem, inter alia*) of trainees and trainers (if applicable), catering, rental of training

facilities and equipment, logistics and printing services, as well as training materials.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made for expenditures prior to the date of this Agreement.
2. The Closing Date is December 31, 2016.

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.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each February 15 and August 15 Beginning August 15, 2019 through February 15, 2029	5%

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.

APPENDIX

Section I. Definitions

1. “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.
2. “Bank’s Safeguard Policies” means the Bank operational policies and procedures set forth in the Bank’s Operational Manual under Ops/BPs 4.01, 4.04, 4.36, 4.09, 4.11, 4.10, 4.12, 4.37, 7.50 and 7.60, as said manual is published under www.WorldBank.org/opmanual.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by the World Bank Borrowers”, dated January 2011.
5. “EED” means the Energy Efficiency Department of the State Standardization Committee of the Borrower, which is responsible for carrying out state policies for energy savings and executing state supervision over the rational use of fuel and heat and electric energy pursuant to the Borrower’s Decree of the President No. 289, dated May 5, 2006 and a Resolution No. 981, dated July 31, 2006 of the Borrower’s Council of Ministers.
6. “EMPs” means the environmental management plans prepared by the Borrower, through EED, and satisfactory to the Bank for the sites in Mogilev and Gomel, dated October 25, 2012 and March 5, 2013, respectively, under Part I of the Project, which set out the agreed environmental protection/mitigation measures to be implemented and monitored by the Borrower under said Part of the Project.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012.
8. “Gomelenergo” means the Gomel Republican Unitary Energy Enterprise of the Borrower established by Decision No.686 dated September 27, 2005 of the Gomel Oblast Administration, and which is part of the Belarus State Energy Holding under the Ministry of Energy of the Borrower.
9. “Gomelenergo Subsidiary Agreement” means the agreement referred to in Section I.B.1 (b) of Schedule 2 to this Agreement, as said agreement may be amended with the agreement of the Bank.

10. “Mogilevenenergo” means the Mogilev Republican Unitary Energy Enterprise of the Borrower established by a Decision No.12 -6 dated May 25, 2000 of the Mogilev Oblast Administration, and which is a part of the Belarus State Energo Holding under the Ministry of Energy of the Borrower.
11. “Mogilevenetgo Subsidiary Agreement” means the agreement referred to in Section I.B.1 (a) of Schedule 2 to this Agreement, as said agreement may be amended with the agreement of the Bank.
12. “Original Project” means the project set forth in Schedule 1 to the Original Loan Agreement.
13. “Original Loan Agreement” means the agreement entered into between the Republic of Belarus and the International Bank for Reconstruction and Development, dated June 8, 2009 for the Energy efficiency Project (Loan No. 7698 BY).
14. “PMU” or “*Belinvestenergosberezhenie*”, means the “Investment and Consultative Unitary Enterprise”, the Project management unit established in accordance with a Regulation No. 1311 of the Council of Ministers of the Borrower, dated October 3, 1997, which is responsible for the implementation and management of the Project.
15. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011.
16. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 6, 2013 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “Project Coordinators” means the Part I Project Coordinators appointed by Decree No 9 of the Head of the EED under the State Standardization Committee of the Borrower dated March 5, 2009; and by a Decree No. 101 of the Director General of Mogilevenenergo dated March 6, 2013; and by a Decree No. 185 of the Director General of Gomelenergo dated March 5, 2013, and referred to in Section I.A.4 of Schedule 2 to this Agreement.
18. “Project Operational Manual” or “POM” means the manual adopted by EED dated April 4, 2013, referred to in Section I.A. 3 of Schedule 2 to this Agreement, describing the procedures for implementation of the Project including, *inter alia*: (i) procedures governing administrative, procurement, accounting, financial management, and monitoring and evaluation arrangements; and (ii) sample formats for annual reports, as the same may be updated from time to time with the agreement of the Bank.

19. "Selected Towns" means the cities of Mogilev and Gomel within the Borrower's territory; and any other city within the Borrower's territory, as approved by the Bank.