

CONFORMED COPY

LOAN NUMBER 7932-BY

Loan Agreement

(Integrated Solid Waste Management Project)

between

REPUBLIC OF BELARUS

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated July 5, 2010

LOAN AGREEMENT

Agreement dated July 5, 2010 between REPUBLIC OF BELARUS (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) 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 forty two million, five hundred and six thousand dollars (\$42,506,000) 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% percent) of the Loan amount. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay itself the amount of the Front-end Fee.
- 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

- 2.05. The Payment Dates are April 15 and October 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 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; and (iii) the setting of limits on the Variable 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.

(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 objectives of the Project. To this end, the Borrower shall carry out Parts A and B of the Project through MHU and the Grodno Oblast Executive Committee, Part C of the Project through MENRP, and Part D of the Project through MHU, all in accordance with the provisions of Article V of the General Conditions and the GEF Grant Agreement.
- 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 Parts A, B and D of the Project are carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV - EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of effectiveness consist of the following:
 - (a) The GEF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness, except only the effectiveness of this Loan Agreement, have been fulfilled.

(b) The Borrower, through MHU, has installed and made operational an automated accounting system at the PCT, satisfactory to the Bank.

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

ARTICLE V - REPRESENTATIVE; ADDRESSES

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

5.02. The Borrower's Address is:

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

Facsimile:

375 17 2226665

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:

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 /s/ Vladimir M. Belokhvostov

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ivan Velev

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) increase environmental benefits of integrated solid waste management in the City of Grodno through recovery and reuse of recyclable materials; and (ii) strengthen national capacities to manage hazardous wastes associated with Persistent Organic Pollutants (POPs).

The Project consists of the following parts:

Part A: Construction of Mechanical Waste Separation Facility

Provision of goods, works and consultants services for design, construction and supervision in the City of Grodno for a modern mechanical waste separation plant to recover recyclable materials.

Part B: Waste Management Improvements

Provision of goods and consultants' services to improve the collection of separated waste in the City of Grodno, including carrying out of public information and awareness raising activities.

Part C: Persistent Organic Pollutants (POPs) Stockpile Management

1. Provision of works, goods and technical assistance, including training to: (a) ensure environmentally sound management of the destruction of high-priority stockpiles of POPs and associated contaminated equipment; (b) provide secure storage for lower risk stockpiles; and (c) support in planning infrastructure to manage future POPs generation.
2. Provision of technical assistance and training to: (a) strengthen the Republic of Belarus' capacity in the implementation of the National Implementation Plan; (b) integrate POPs into established national environmental and health monitoring and environmental information systems; and (c) define a long term elimination program for unintended POPs release, including public information and awareness raising activities.
3. Provision of technical assistance and training to ensure acceptable coverage of POPs within the overall national regulatory and legislative framework of solid waste management.
4. Provision of technical assistance and training to finance staffing for MNREP to ensure fiduciary and reporting requirements are adhered to. Provision of Incremental Operating Costs to strengthen MNREP.

Part D: Project Management and other Support Activities

Strengthening the management capacity of the PCT to monitor and administer the Project implementation, including staffing, training , financial audit and Incremental Operating Costs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through the MHU, the Grodno Oblast Executive Committee and the PCT, shall have overall responsibility for implementing Parts A, B and D of the Project with such staff and resources as shall be required and in accordance with the Operational Manual. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Operational Manual or any provision thereof.
2. The Borrower, through the MHU and the Grodno Oblast Executive Committee, shall maintain the PCT with such staff and resources as shall be required for the PCT to perform its duties in respect of day-to-day management and implementation. The MHU and the Grodno Oblast Executive Committee shall appoint coordinators to assist the PCT in the implementation of Parts A, B and D of Project.
3. The Borrower, through the Grodno Oblast Executive Committee, shall furnish to the Bank:
 - (a) by December 31, 2011, a proposed structure for the operations and management of the waste treatment facility to be constructed under Part A of the Project, including a business plan; and
 - (b) by December 31, 2012, evidence of arrangements with users of the outputs from the mechanical treatment facility.
4. The Borrower, through the Grodno Oblast Executive Committee, by June 30, 2011, shall review with the Bank the improvement and supervision of Grodno City's solid waste separation at source measures and activities under Part B of the Project, and discuss with the Bank the implementation of these measures and activities and their impact on the operation of the mechanical solid waste facility.
5. The Borrower shall:
 - (a) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about June 15, 2013, a report integrating the results of the monitoring and evaluation of activities under Parts A and B of the Project, on the progress achieved in the carrying out of Parts A and B of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of Parts A and B of the Project

and the achievement of the objectives thereof during the period following such date; and

(b) review with the Bank, by September 15, 2013 or such later date as the Bank shall request, the report referred to in paragraph (a) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

B. Anti-Corruption

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

C. Safeguards

The Borrower shall ensure that all measures necessary for the carrying out of the EMP for Parts A and B of the Project shall be taken in a timely manner. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the EMP for Parts A and B of the Project or any provision thereof.

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 one 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 of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than September 30, 2016.

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 one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works 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 and Works

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

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method

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| <p>(a) National Competitive Bidding, subject to the following additional provisions:</p> <ul style="list-style-type: none"> (i) there shall be no eligibility restrictions based on nationality of bidder and/or origin of goods; (ii) pre-qualification shall not be used for simple goods and works procurement and shall be conducted only for large works projects; (iii) entities in which the State or a State official owns a shareholding of whatever size shall not be invited to participate in tenders for the Government, unless they are and can be shown to be legally and financially autonomous and they operate under commercial law; (iv) no national preferences may be applied on the basis of the origin of products or labor; (v) joint venture partners shall be jointly and severally liable for their obligations; (vi) no “participation fee” shall be required of bidders for the purchase of bidding documents. The only charge shall be equivalent to the cost of producing (copying) the bidding documents; (vii) in the evaluation of bids, bids may be rejected where bid prices are substantially higher from the existing budget, in accordance with paragraphs 2.61-2.63 of the Guidelines; (viii) rebidding shall not be carried out without prior approval of the Bank; (ix) works contracts of more than eighteen (18) months’ duration shall include appropriate price adjustment provisions; and (x) prior approval of the Bank shall be required for any modification in the contract scope and conditions during implementation. (xi) Fraud and Corruption. The Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, |
|---|

<p>fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the Bank.</p> <p>(xii) Right to Inspection/audit. Each bidding document and contract financed from the proceeds of the Loan shall include a provision requiring bidders, suppliers, contractors and sub-contractors to permit the Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Bank. The deliberate and material violation by the bidder, supplier, or contractor or subcontractor of such provision may amount to obstructive practice.</p>
(b) Shopping
(c) 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 a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultants’ Qualifications
(e) Single-source Selection
(f) Selection of Individual Consultants
(g) Sole 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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed
(1) Goods, works, consultants' services and Incremental Operating Costs for Parts A and D of the Project	42,399,735	100%
(2) Front-end Fee	106,265	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
TOTAL AMOUNT	42,506,000	

B. Withdrawal Conditions; 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 30, 2016.

SCHEDULE 3**Amortization Schedule**

1. Subject to the provisions of paragraph 2 of this Schedule, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each April 15 and October 15, the first installment to be payable on the eleventh (11th) Interest Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the thirtieth (30th) Interest Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment except for the last one shall be equal to one-twentieth (1/20th) of the Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of the Disbursed Amount.
2. If any one or more installments of principal of the Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after April 15, 2031, the Borrower shall also pay on such date the aggregate amount of all such installments.
3. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.
4. Notwithstanding the provisions of paragraphs 1 through 3 of this Schedule, in the event of a Currency Conversion of all or any portion of a Disbursed Amount 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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “City of Grodno” means the city of Grodno as defined and established under the laws of the Republic of Belarus.
4. “GEF Grant Agreement” means the Global Environmental Facility Grant Agreement of same date between the Republic of Belarus and the Bank, acting as an Implementing Agency of the Global Environment Facility.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
6. “EMP for Parts A and B of the Project” means the Environmental Management Plan, describing environmental monitoring and mitigation measures for activities under Parts A and B of the Project, satisfactory to the Bank, prepared and adopted by the Grodno Oblast Executive Committee on November 12, 2009.
7. “EMP for Part C of the Project” means the Environmental Management Plan, describing environmental monitoring and mitigation measures for activities under Part C of the Project, satisfactory to the Bank, prepared and adopted by the MNREP on November 12, 2009.
8. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
9. “Grodno Oblast Executive Committee” means the executive committee within the Grodno Oblast established under the laws of the Republic of Belarus.
10. “Incremental Operating Costs” means operating expenditures incurred on account of management of the Project implementation for communications, utilities, office rent, maintenance and supplies, office furniture and equipment, office security systems, transportation and field trip expenses, training of the staff

for the purpose of Project management, remuneration for staff, including qualified social charges but excluding salaries of civil servants, and such other expenditures as may be agreed upon by the Bank.

11. “MHU” means the Borrower’s Ministry of Housing and Utilities or any successor or successors thereto.
12. “MNREP” means the Ministry of Natural Resources and Environment Protection of the Republic of Belarus or any successor or successors thereto.
13. “Operational Manual for Parts A and B of the Project” means the manual dated May 12, 2010 and which describes all the procedures for implementation of Parts A and B of the Project, consistent with the provisions of this Agreement and with the national laws and regulations of the Republic of Belarus and including, *inter alia*, procedures governing administrative, procurement, accounting, financial management, monitoring and evaluation arrangements under Parts A and B of the Project; as the same may be amended from time to time with the agreement of the Bank.
14. “Operational Manual for Part C of the Project” means the manual dated May 12, 2010 and describing procedures for implementation of Part C of the Project, consistent with the provisions of this Agreement and with the national laws and regulations of the Republic of Belarus and including, *inter alia*, procedures governing administrative, procurement, accounting, financial management, monitoring and evaluation arrangements under Part C of the Project; as the same may be amended from time to time with the agreement of the Bank.
15. “PCT” means the Project Coordinating Team established within the Research and Production Republican Unitary Enterprise “Zhilkommuntechnica” of MHU which is responsible for day to day implementation of Part A of the Project, reporting and monitoring under Part B of the Project, and Part D of the Project.
16. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
17. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 13, 2010 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.
18. “RUE Zhilkommuntechnica” means the Research and Production Republican Unitary Enterprise established by a Decree of the Minister of Housing and Utilities of the Republic of Belarus No. 136 dated August 26, 1977.

19. “POPs” means Persistent Organic Pollutants.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

2. The following term and definition set forth in the Appendix is modified or deleted as follows, and the following new term and definition is added in alphabetical order to the Appendix :

The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”