Clean Technology Fund
Project Agreement

(Second Urban Infrastructure Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as an implementing entity of the Clean Technology Fund

and

COMMUNAL ENTERPRISE “VINNYTSIAOBLODOKANAL”

Dated February 22, 2017
PROJECT AGREEMENT

Agreement dated February 22, 2017, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting not in its individual capacity but solely in its capacity as an implementing entity of the Clean Technology Fund ("CTF") ("Bank") and COMMUNAL ENTERPRISE "VINNYTSIAOBOLODOKANAL" ("Project Implementing Entity") ("Project Agreement") in connection with the CTF Loan Agreement ("Loan Agreement"), dated May 26, 2014, between Ukraine ("Borrower") and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I — STANDARD CONDITIONS; DEFINITIONS

1.01. The Standard Conditions (as defined in the Appendix to the Loan 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 Loan Agreement or the Standard Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of Article II of the Standard Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity's Representative is its Head of Enterprise.
3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

3.03. The Project Implementing Entity’s Address is:

Communal Enterprise “Vinnytsiaoblodokanal”
Kyivska Str., 173
Vinnytsia
Ukraine
21022

Cable: +38 0432 670312
Email: office@vinvk.com.ua
AGREED at Kiev, Ukraine, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as an implementing entity of the Clean Technology Fund

By: [Signature]
Authorized Representative

Name: Satu Käähönen
Title: Country Director

COMMUNAL ENTERPRISE “VINNYTSIAOBLODOKANAL”

By: [Signature]
Authorized Representative

Name: CHERNYATYNSKY OLEKSANDR
Title: HEAD OF ENTERPRISE
SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation

A. Implementation Arrangements

1. The Project Implementing Entity shall be responsible for implementing its Respective Part of the Project in accordance with the Project Operations Manual, ESMF, and RPF, and shall maintain its RPMU throughout the duration of the Project for this purpose, in a form and with functions, staffing, (under terms of reference, qualifications and scope of responsibilities) and adequate resources, all satisfactory to the Bank and as further set forth in the Project Operations Manual. The Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provision of the Project Operations Manual without prior approval of the Bank.

2. The Project Implementing Entity shall obtain any necessary legal or administrative permissions, licenses, permits, usage rights, authorizations and any other consents as may be required for the implementation of the Utility Company's Investment Program under the Borrower's legal framework.

3. The Project Implementing Entity shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The Project Implementing Entity shall, prior to the commencement of any civil works under its Respective Part of the Project, (a) prepare an EMP in accordance with the principles and procedures set forth in the ESMF; (b) thereafter, provide said EMP to the Bank for review; and (c) implement such EMP as shall have been accepted by the Bank as being satisfactory.

2. The Project Implementing Entity shall:

   (a) take all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to
productive assets or income or means of livelihood, temporarily or permanently in carrying out its Respective Part of the Project; and

(b) for this purpose, whenever implementation of Project activities would give rise to Displaced Persons, prior to the commencement of civil works related to said activities: (i) prepare, and cause to be prepared, a resettlement action plan in accordance with the principles and procedures set forth in the RPF; (ii) thereafter, provide said plan to the Bank for review; and (iii) implement such resettlement action plan as shall have been accepted by the Bank as being satisfactory.

3. The Project Implementing Entity shall ensure that the ESMF, RPF, EMPs and RAPs and any provision thereof, shall not be amended, suspended, abrogated, terminated or waived or permitted to be amended, suspended, abrogated, terminated or waived, except with the prior written consent of the Bank.

4. The Project Implementing Entity shall:

(a) maintain, policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of any of the ESMF, RPF, the EMPs, and RAPs and the achievement of the objectives of said frameworks and plans; and

(b) include in the Project Report, which is to be prepared under Section II.A paragraph 1 of this Schedule, the results of the monitoring and evaluation activities with respect to the plans referred to in sub-paragraph (a) above.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 2.06 (b) of the Standard Conditions and on the basis of indicators acceptable to the Bank. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Borrower not later than thirty (30) days after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

2. The Project Implementing Entity shall provide to the Borrower not later than two (2) months after the Closing Date, for incorporation in the report referred to in Section 2.06 (c) of the Standard Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.
B. Financial Management, Financial Reports and Audits; Financial Covenants

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Part of the Project.

2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare for its Respective Part of the Project interim unaudited financial reports for the Project covering each calendar quarter, in form and substance satisfactory to the Bank; such reports shall be furnished to the Borrower no later than thirty (30) days after the quarter for incorporation and forwarding by the Borrower to the Bank of the overall Project interim unaudited financial reports.

3. The Project Implementing Entity shall have: (a) the financial statements referred to above; and (b) its entity financial statements, all audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (i) furnished to the Borrower and the Bank not later than six months after the end of the period; and (ii) made publicly available in a timely fashion and in a manner acceptable to the Bank:

4. (a) Except as the Bank shall otherwise agree, the Project Implementing Entity shall maintain, for each of its fiscal years after its fiscal year ending on December 31, 2018, a ratio of total operating expenses to total operating revenues not higher than 150%.

(b) Before December 31 in each of its fiscal years, Project Implementing Entity shall, on the basis of forecasts prepared by the Project Implementing Entity and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year, and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that the Project Implementing Entity would not meet the requirements set forth in paragraph (a) for Project Implementing Entity's fiscal years covered by such review, the Project Implementing Entity shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.
(d) For the purposes of this Section:

(i) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a straight-line basis at a rate of not less than 2% per annum of the average current gross value of the Project Implementing Entity's fixed assets in operation, or other basis acceptable to the Bank, but excluding interest and other charges on debt.

(ii) The term "total operating revenues" means revenues from all sources related to operations.

(iii) The average current gross value of the Project Implementing Entity's fixed assets in operation shall be calculated as one half of the sum of the gross value of the Project Implementing Entity's fixed assets in operation at the beginning and at the end of the fiscal year, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Bank.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.