October 3, 2012

His Excellency
Petro Poroshenko
Minister
Ministry of Economic Development and Trade
12/2 Hrushevsky Street
Kyiv, 01008
Ukraine

Re: Ukraine: Clean Technology Fund (CTF)
Energy Efficiency Project
Grant No. TF013067

Excellency:

In response to the request for financial assistance made on behalf of Ukraine ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by the Donors ("Donors") under the Clean Technology Fund, proposes to extend to the Recipient a grant in an amount not to exceed one million United States Dollars (U.S.$1,000,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this
countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By
Viktoriya Sryyachenko
Acting Country Director
Ukraine, Belarus and Moldova
Europe and Central Asia Region

AGREED:
UKRAINE

By

Authorized Representative
Name
Title
Date:

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) The definition of the term "Project" in paragraph 18 of the Appendix to the Standard Conditions is replaced to read as follows, and wherever used in the Standard Conditions, the term "Project" is replaced by the term "CTF Project Preparation Grant".

(b) "Minregion" means the Ministry of Regional Development, Construction, Housing and Communal Economy of Ukraine.

(c) "CTF" means the "Clean Technology Fund".

(d) "EE" means "Energy Efficiency".

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the CTF Project Preparation Grant is to support the implementation of Energy Efficiency Project under the CTF Investment Plan for Ukraine and in particular, the scaling-up of municipal EE financing by helping to identify and resolve potential implementation issues and ensuring that municipal EE investments are based on sound analytical work and aligned with country priorities for poverty alleviation and social objectives. The proposed activities will also help strengthen consensus in setting and achieving Ukraine’s EE target among key national stakeholders and development partners, as well as enhance the capacity of concerned national agencies for policy reform and delivery of results. The CTF Project Preparation Grant consists of the following parts:

**Part A.** Development of a proposal template and guidelines for district heating Energy Efficiency projects; selection of district heating companies for feasibility studies.
Part B. Preparation of feasibility studies for at least five (5) district heating Energy Efficiency projects.

Part C. Development of stakeholder mapping, communications plan and related information materials; preparation and conducting of three (3) regional consultation/training workshops.

Part D. CTF Project Preparation Grant activities.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the CTF Project Preparation Grant. To this end, the Recipient shall carry out the CTF Project Preparation Grant through Minregion in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Donor Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the contributor’s support for the CTF Project Preparation Grant.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Contributors to visit any part of the Recipient’s territory for purposes related to the CTF Project Preparation Grant.

2.04 CTF Project Preparation Grant Reporting and Completion Report. The Recipient shall prepare the CTF Project Preparation Grant Report and Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The CTF Project Preparation Grant Report shall cover the period starting from signature of this Agreement and shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that quarterly interim unaudited financial reports for the CTF Project Preparation Grant are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the CTF Project Preparation Grant Account were made. The audited Financial Statements for each
such period shall be furnished to the World Bank not later than six months after the end of such period.

2.36. Procurement

(a) General. All goods, non-consulting services and consultants' services required for the Project and to be financed out of the proceeds of the CTF Project Preparation Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of 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 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World 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.

(c) Particular Methods of Procurement of Goods and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of Shopping.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments
which are specified in the Procurement Plan: (A) Selection based on Consultants’ Qualifications; and (B) Selection of Individual Consultants and (C) Least-Cost Selection.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the CTF Project Preparation Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the CTF Project Preparation Grant (“Category”), the allocations of the amounts of the CTF Project Preparation Grant 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 CTF Project Preparation Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants’ services including Audit, Training and Workshops</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,000,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of Section 3.01, the term “Training and Workshops” means the costs associated with preparation of training materials, training and workshop participation of personnel involved in the implementation of the CTF Project Preparation Grant, including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation.
3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is September 30, 2013.

Article IV
Recipient's Representative; Addresses

4.01. Recipient's Representative. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Economic Development and Trade.

4.02. Recipient's Address. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Economic Development and Trade
12/2 M. Hrushevsky St.
Kyiv, 01008
Ukraine

Facsimile: 38044 226-3181

4.03. World Bank's Address. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

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