
CREDIT NUMBER IDA 7153-UA

Financing Agreement

(Public Expenditures for Administrative Capacity Endurance in Ukraine Project)

between

UKRAINE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER IDA 7153-UA

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between UKRAINE ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS: (A) following an international effort to provide development support to Ukraine and having satisfied itself as to the feasibility and priority of the project as further described in Schedule 1 to this Agreement ("Project"), the Recipient has requested the Association, on an exceptional basis, to extend a credit to assist in the financing of the Project;

(B) the Recipient has also obtained a loan in the amount of €465,950,000 ("Loan") from the International Bank for Reconstruction and Development ("Bank"), which Loan has been extended for the Project by the Bank under the Loan Agreement (as defined in the Appendix to this Agreement);

NOW THEREFORE, the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 — CREDIT

- 2.01. The Association agrees to extend to the Recipient a credit, which is deemed as Non-concessional Financing for purposes of the General Conditions, in the amount of nine hundred forty-six million and six hundred thousand Euros (*€946,600,000*) as such amount may be converted from time to time through a Currency Conversion ("Credit"), to assist in financing the Project.
- 2.02. The Recipient may withdraw the proceeds of the Credit in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent ($\frac{1}{4}$ of 1%) of the Credit amount.

- 2.04. The Commitment Charge is one-quarter of one percent ($\frac{1}{4}$ of 1%) per annum on the Unwithdrawn Credit Balance.
- 2.05. The Interest Charge is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.09(e) of the General Conditions.
- 2.06. The Payment Dates are February 15 and August 15 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with Schedule 3 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall, through the Ministry of Finance ("MoF"), carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals thereunder (other than the effectiveness of this Agreement) have been fulfilled.
 - (b) the Recipient has adopted the Project Operational Manual ("POM") in accordance with Section I.B. of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date sixty (60) days after the Signature Date.
- 4.03. For purposes of Section 10.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.
- 4.04. Without limitation to Section 11.02(b) of the General Conditions, any modification to this Agreement shall be executed by written instrument agreed by the parties hereto. Such amendment shall become effective as set forth in the amending agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister of Finance.
- 5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Ministry of Finance
12/2 M. Hrushevskoho Str.,
Kyiv, 01008
Ukraine; and

(b) the Recipient's Electronic Address is:

Facsimile:	E-mail:
+38 (044) 425-90-26	infomf@minfin.gov.ua

- 5.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

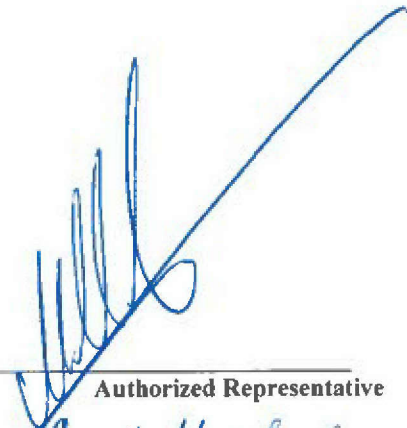
(b) the Association's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423 (MCI)	1-202-477-6391	abanerji@worldbank.org

AGREED as of the Signature Date.

UKRAINE

By



Authorized Representative

Name: Sergii Marchenko

Title: Minister of Finance of Ukraine

Date: 09 June 2022

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Arup Banerji

Title: Regional Country Director

Date: June 9, 2022

SCHEDULE 1

Project Description

The objective of the Project is to contribute to sustaining the Recipient's administrative and service delivery capacity to exercise core government functions at the national and regional levels.

The Project consists of the following Part:

Part 1. Supporting the Recipient in: (a) maintaining core government functions through the payment of Salaries of Eligible Employees; and (b) provision of audits.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall vest responsibility for overall coordination and implementation of the Project in the MoF.
2. The Recipient, through the MoF, shall appoint the deputy minister of finance as a Project coordinator to be responsible for project implementation, monitoring and reporting.
3. The Recipient, though the MoF, shall, at all times during Project implementation, ensure that its Department of Expenditures of Public Authorities and its Department of Expenditures of Humanitarian Sector are maintained with mandate, composition and resources acceptable to the Association and are responsible for reporting to the Project coordinator referred to in paragraph 2 above on consolidated wage bill expenditures and monitoring of wage bill spending in accordance with the provisions of the POM.

B. Project Operational Manual.

1. The Recipient shall prepare, adopt, and thereafter carry out the Project in accordance with the POM in form and substance acceptable to the Association, containing, *inter alia*, detailed: (i) implementation and institutional arrangements for the Project; (ii) administrative; (iii) procurement; (iv) financial management and accounting; (v) monitoring and evaluation; (vi) eligibility criteria for the selection of Eligible Employees under the Project; (vii) verification protocols and procedures for payment of Salaries of Eligible Employees; (viii) grievance mechanism for the Project; and (ix) such other technical, administrative, fiduciary or coordination arrangements as may be necessary to ensure effective Project implementation.
2. The Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the POM or any provision thereof, without the prior written agreement of the Association.
3. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the POM and those of this Agreement, the provisions of this Agreement shall prevail.

C. Environmental and Social Standards.

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Credit

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Credit to: (a) finance Eligible Expenditures; and (b) pay: (i) the Front-end Fee; and (ii) each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category in the following table:

Category	Amount of the Credit Allocated (expressed in EUR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Salaries of Eligible Employees under Part 1.(a) the Project.	944,043,500	up to 100%
(2) Consulting services under Part 1.(b) of the Project	190,000	100%
(3) Front-end Fee	2,366,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 3.08 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium		Amount due pursuant to Section 4.06(c) of the General Conditions

TOTAL AMOUNT	946,600,000	
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B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed €446,795.200 may be made for payments made prior to this date but on or after March 1, 2022, for Eligible Expenditures under Category (1); or
 - (b) under Category (1), until and unless the Recipient has furnished evidence satisfactory to the Association in accordance with the verification protocols set forth in the POM, showing that the Salaries for Eligible Employees have been paid.
2. No withdrawal shall be made for payments of Eligible Expenditures that have already been financed by the Loan Agreement or the MDTF Grant Agreement, or for which withdrawals have been requested from the Loan Agreement or the MDTF Grant Agreement.
3. The Closing Date is March 31, 2023.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Credit and the percentage of the total principal amount of the Credit payable on each Principal Payment Date ("Installment Share").

Principal Payment Date	Installment Share
On each February 15 and August 15 Beginning August 15, 2026 through August 15, 2031	8.33%
On February 15, 2032	8.37%

APPENDIX

Definitions

1. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
2. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. "Department of Expenditures of Public Authorities" means the MoF's department responsible for monitoring monthly wage bill payments for civil servants and other employees of governmental bodies as further detailed in the POM, or any successor thereto.
4. "Department of Expenditures of Humanitarian Sector" means the MoF's department responsible for monitoring monthly wage bill payments for School Employees as further detailed in the POM, or any successor thereto.
5. "Eligible Employees" means civil servants and other employees of governmental bodies; School Employees (all as defined in the POM) in non-security sectors who meet the eligibility criteria set forth in the Project Operational Manual.
6. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated May 12, 2022, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
7. "Environmental and Social Standards" or "ESSs" means, collectively: (i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities"; (viii)

“Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.

8. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
9. “Loan Agreement” means the loan agreement for the Project between the Recipient and the Bank, dated the same date as this Agreement, as such loan agreement may be amended from time to time. “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.
10. “Ministry of Finance” and “MoF” each means the Recipient’s ministry responsible for finance, or any successor thereto.
11. “MDTF Grant Agreement” means the grant agreement for the Project between the Recipient and the World Bank acting as administrator of the MDTF, expected to be entered into once the MDTF has been established, as such grant agreement may be amended from time to time. “MDTF Grant Agreement” includes all appendices, schedules and agreements supplemental to the MDTF Grant Agreement.
12. “MDTF” means a multi donor trust fund expected to be established for the purposes of providing additional support to the Borrower including through the Project.
13. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
14. “Project Operational Manual” and “POM” each means the operational manual to be prepared and adopted by the Recipient in a manner satisfactory to the Association as further described in Section I.B of Schedule 2 to this Agreement.
15. “Salaries” means the salaries of Eligible Employees, excluding *inter alia* those in the defense, military and security sector as set forth in the POM.
16. “School Employees” means pedagogical staff working in institutions providing general secondary education; and excluding all employees working in military schools and schools with enhanced military and physical training, as further detailed in the POM.
17. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

18. "World Bank" means the Association and the Bank collectively.