

OFFICIAL
DOCUMENTS

LOAN NUMBER 8462-UA

Loan Agreement

(Second Power Transmission Project)

between

UKRAINE

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *February 10*, 2015

LOAN NUMBER 8462-UA

LOAN AGREEMENT

Agreement dated February 10, 2015, between URKAINE ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS: (A) The Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 1 to this Agreement, has requested the Bank to assist in the financing of Parts 1, 2.1, 2.3, 2.4 and Part 3 of the Project;

(B) by an agreement of even date herewith (the CTF Loan Agreement), the Bank, acting as the implementing agency of the Clean Technology Fund (CTF) has agreed to make a loan (the CTF Loan) to the Borrower in the amount of forty-eight million four hundred twenty-five thousand Dollars (\$48,425,000) to assist in financing Part 2.2 of the Project on the terms and conditions set forth in the CTF Loan Agreement;

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in 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 three hundred thirty million United States Dollars (\$330,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

- 2.05. 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 (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are January 15 and July 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.08. (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.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out Part 3 of the Project through its MoECI and cause Parts 1 and 2.1, 2.3 and 2.4 of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Project 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 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 Event of Suspension consists of the following, namely that the Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Subsidiary Agreement has been executed on behalf of the Borrower represented by MOF, MoECI, and NEURC, and the Project Implementing Entity.
 - (b) The MoECI POM has been finalized and adopted by MoECI, and the PIE POM has been finalized and adopted by the Project Implementing Entity, both in form and substance satisfactory to the Bank.
 - (c) The CTF Loan Agreement has been executed and all conditions precedent to its effectiveness and to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been satisfied or waived.
 - (d) The Project Implementing Entity's accounting system has been updated to enable fully automated project accounting and reporting.
- 5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized by the Borrower (represented by MOF, MoEI, and NEURC) and the Project Implementing Entity, and that the same agreement is legally binding upon the parties thereto in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

5.04. Any amendment to this Agreement shall be executed by agreement of the parties hereto in accordance with the provisions of Section 10.02 of the General Conditions. Such amendment shall become effective as set forth in the amending agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower's Representative is its Minister of Finance.

6.02. The Borrower's Address is:

Ministry of Finance
12/2 Hrushevsky St.
Kyiv, 01008
Ukraine

Facsimile:

(380-44) 425-90-26
(380-44) 277-54-82

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 Kiev, Ukraine, as of the day and year first above written.

UKRAINE

By



Authorized Representative

Name: Volodymyr Demakyskyu
Title: Minister of Energy and
Coal Industry of Ukraine

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Olexandra Kacu
Title: Director for Belarus,
Moldova and Ukraine

SCHEDULE 1

Project Description

The objectives of the Project are to improve the reliability of the Borrower's power transmission system and to support the implementation of the wholesale electricity market in Ukraine.

The Project consists of the following parts:

Part 1: Rehabilitation of Transmission Substations

Replacement of outdated high voltage equipment, installation of gas-insulated switchgears, and replacement of auxiliary power equipment, protective layering and substation control and automation systems in selected high voltage transmission substations.

Part 2: Electricity Market Enhancement

Part 2.1. Installation and connection of reactive power compensation devices for selected high voltage transmission substations.

Part 2.2. Introduction of Smart Grid through purchase and installation of Smart Grid solutions including (a) modernization of the telecommunications network between renewable energy sources, key substations of transmission networks and system operator control centers; and (b) modernization of the regional and national system of load distribution and organization of control centers.

Part 2.3. Provision of support to the Balancing Market through purchase and installation of hardware and software for the proper functioning of the Balancing Market of electricity, ancillary services market and fulfillment of administrative settlement services, administration of commercial settlement as well as other services of the System Operator based on the Electricity Market Law of Ukraine.

Part 2.4. Support for institutional development of the Project Implementing Entity through (a) establishing a corporate-wide management information system in the Project Implementing Entity; (b) providing technical assistance to the Project Implementing Entity on procurement, financial management and project management; and (c) financing of audits and Training.

Part 3: Improving of Institutional Capacity of MoECI for Reform Implementation

Provision of institutional support for the implementation of energy sector reforms in line with commitments of Ukraine within the framework of membership in the Energy Community and the EU Association Agreement.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall:
 - (a) through MoECI, carry out Part 3 of the Project in accordance with the procedures set forth in the MoECI POM and shall ensure that the MoECI POM is not amended, suspended, abrogated, or repealed and that no provision of the MoECI POM is waived without prior approval of the Bank;
 - (b) through MoECI, maintain, throughout the duration of the Project, within the framework of Part 3 of the Project, the MPCU in a form and with functions, staffing (with qualifications and scope of responsibilities) and adequate resources, all satisfactory to the Bank and as further set forth in the MoECI POM; and
 - (c) through MoECI, during the Project implementation, ensure cooperation with the Bank for purposes of monitoring of the implementation of reforms in the energy sector. For this purpose the Borrower through MoECI, shall ensure the participation of Bank representatives in intergovernmental and other instruments of energy sector reform implementation (committees, commissions, working groups, etc.) in instances where the Bank would consider it appropriate.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project Implementing Entity's Respective Parts 1 and 2.1, 2.3, and 2.4 of the Project, the Borrower, through MOF, shall make part of the proceeds of the Loan available to the Project Implementing Entity under the Subsidiary Agreement between the Borrower (represented by MOF, MoECI, and NEURC) and the Project Implementing Entity, under terms and conditions approved by the Bank, which shall include the following:
 - (a) The principal amount of the Loan made available under the Subsidiary Agreement ("Subsidiary Loan") shall be: (i) denominated and repayable in US Dollars; (ii) charged interest on the Subsidiary Loan withdrawn and outstanding from time to time at the rate equal to the rate payable by the Borrower in accordance with Section 2.05 of this Agreement; a one-time commission which is subtracted from the amount of the Subsidiary Loan, at a rate equal to the rate used in Section 2.03 of this Agreement (as a front-end fee); a fee equal to the amount payable by the Borrower from time to time on account of the Unwithdrawn Loan Balance at a rate equal to the rate used in Section 2.04 of this Agreement (as a commitment charge); plus a spread (margin) according to the decision by the Government of the Borrower; and (iii) repayable over a period

not exceeding 18 years from the date of the Subsidiary Agreement, inclusive of a grace period not exceeding 5 years.

- (b) The Project Implementing Entity shall carry out its Respective Parts of the Project in accordance with the PIE POM and EMP, and shall maintain the functioning of its PIU throughout the duration of the Project for this purpose, in a form and with functions, staffing (with qualifications and scope of responsibilities) and adequate resources, all satisfactory to the Bank and as further set forth in the PIE POM. The Project Implementing Entity shall not amend, suspend, abrogate, repeal or waive any provision of the PIE POM or EMP without prior approval of the Bank.
- (c) The Project Implementing Entity shall comply with the financial covenants and all other provisions set forth in its respective Project Agreement and its respective Subsidiary Agreement.

- 2. The Borrower, through MOF and MoECI and NEURC, 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 Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its 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. Budgetary Arrangements

Unless the Bank shall agree otherwise, the Borrower shall:

- 1. ensure that, starting from Fiscal Year 2015 and each year thereafter, the NEURC shall establish and maintain tariffs sufficient for the Project Implementing Entity to cover financial needs for its carrying out of operations in the framework of Part 1, Part 2.1, 2.3, and 2.4 of the Project, and debt service in a timely manner;
- 2. cause Energomarket to distribute funds due from Energomarket to the Project Implementing Entity in a timely manner;
- 3. ensure that the NEURC introduces by July 1, 2017 a tariff defining the payments due to the Project Implementing Entity for electricity transmission in conformity with the legislation adopted during the period of the established new power market model; and
- 4. enable the Project Implementing Entity to achieve and maintain selected financial performance indicators, as further set forth in the Project Agreement.

E. Safeguards

1. The Borrower, through MoECI, shall ensure, and shall cause the Project Implementing Entity to ensure, that the Project is carried out in accordance with the EMP, and shall not amend, suspend, abrogate, repeal or waive any provision of the EMP, without prior written approval of the Bank.
2. The Borrower shall ensure that no works under the Project involve the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated Parks and Protected Areas.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, through MoECI, shall ensure implementation by the Project Implementing Entity of monitoring and evaluation of the progress of the Project Implementing Entity's respective Parts of the Project based on the results of which the Project Implementing Entity shall prepare and submit to the Bank Project Reports on the implementation of the Project Implementing Entity's Respective Parts of the Project in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to 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. The Borrower, through MoECI, shall provide monitoring and evaluation of the progress of Part 3 of the Project based on the results of which the MoECI shall prepare and submit to the Bank the Project Reports on the implementation of Part 3 of the Project in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester (six months), and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through MoECI, shall cause the Project Implementing Entity to maintain a financial management system for Parts 1, 2.1, 2.3, and 2.4 of the Project, in accordance with the provisions of Section 5.09 of the General Conditions and Section II.B.1 of the Schedule to the Project Agreement.
2. Without limitation on the provisions of Part A of this Section, the Borrower, through MoECI, shall ensure that the Project Implementing Entity 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 Parts 1, 2.1, 2.3, and 2.4 of the Project covering the quarter, in accordance with the provisions of Section II.B.3 of the Schedule to the Project Agreement, in form and substance satisfactory to the Bank.

3. The Borrower, through MoECI, shall ensure: (a) that the Project Implementing Entity shall have the Financial Statements corresponding to Parts 1, 2.1, 2.3, and 2.4 of the Project, audited in accordance with the provisions of Section 5.09 (b) of the General Conditions and Section II.B.2 of the Project Agreement; (b) that each such audit of the Financial Statements of the Project Implementing Entity shall cover the period of one fiscal year of the Project Implementing Entity; and (c) that the audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.
4. The Borrower, through MoECI, shall maintain a financial management system for Part 3 of the Project, in accordance with the provisions of Section 5.09 of the General Conditions.
5. Without limitation on the provisions of Part A of this Section, the Borrower, through MoECI, 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 Part 3 of the Project covering the quarter, in form and substance satisfactory to the Bank.
6. The Borrower, through MoECI, shall have the Financial Statements corresponding to Part 3 of the Project audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each such 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 (6) months after the end of such period.

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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the 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 methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: Stopping.

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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants' Qualifications; (c) Procedures for the Selection of Individual Consultants; and (d) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

1. 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.

2. The Borrower shall, through MECI, ensure that the Project Implementing Entity:

- (a) No later than December 31 of every year during the implementation of the Project, beginning on December 31, 2015, prepare and furnish to the Bank a procurement progress report (Procurement Progress Report), in form and substance acceptable to the Bank, which shall include, *inter alia*: (i) a description of issues arising during the full procurement cycle under the Project, from design through planning, bidding, contract implementation and completion; (ii) a list of proposed measures and actions to be taken to resolve the issues identified under (i) above; and (iii) a proposed timeline for the implementation of the said measures and actions.

- (b) No later than January 31 of every year during the implementation of the Project, beginning on January 31, 2016, exchange views with the Bank on the results of the Procurement Progress Report completed for the Borrower's previous calendar year and thereafter implement such recommended measures, as agreed with 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, non-consulting services, consultants’ services, and Training for Parts 1 and 2.1, 2.3 and 2.4 of the Project	326,675,000	100%
(2) Goods, non-consulting services, consultants’ services, and Training for Part 3 of the Project	2,500,000	100%
(3) Front-end Fee	825,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.08(c) of this Agreement
TOTAL AMOUNT	<u>330,000,000</u>	

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 June 30, 2020.

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 January 15 and July 15 Beginning January 15, 2020 through January 15, 2032	3.85%
On July 15, 2032	3.75%

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: (a) 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 (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
- 5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

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. “Balancing Market” means a market organized by the system operator for the purpose of balancing volumes of production (output) and import of electricity, consumption and export of electricity, dealing with system restrictions in the joint Ukrainian energy system as well as financing regulation of electric energy imbalances.
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 World Bank Borrowers dated January 2011 (revised July 2014).
5. “CTF Loan Agreement” means the agreement of even date herewith between the Borrower and the Bank, acting as the implementing agency of the Clean Technology Fund (CTF), to assist in financing Part 2.2 of the Project.
6. “Electricity Market Law of Ukraine” means the Law of Ukraine “On Operating Principles of Electricity Market of Ukraine”, dated October 24, 2013, No. 663-VII, as amended by the Law of Ukraine No. 1197-VII of April 10, 2014, as the same law may be amended from time to time.
7. “Environmental Management Plan” or “EMP” means the Borrower’s environmental management plan dated June 23, 2014 for Parts 1 and 2.1 of the Project, acceptable to the Bank, and giving details of specific actions and setting forth the mitigating, monitoring and institutional measures to be taken during the implementation and operation of the civil works to offset or reduce adverse environmental impacts to levels acceptable to the Bank, including the budget and cost estimates, and sources of funding, along with the institutional and procedural measures needed to implement such actions, measures and policies.
8. “Energomarket” means the State Enterprise “Energorynok” established pursuant to the Decree No. 755 of the Cabinet of Ministers of Ukraine, dated May 5, 2000.
9. “Energy Community” means the community of member nations cooperating on matters of the energy market established pursuant to Treaty Establishing the Energy Community, signed on October 25, 2005, and acceded to by the Borrower pursuant to the Protocol concerning the Accession of Ukraine to the Treaty Establishing the Energy Community, dated September 24, 2010.

10. “EU Association Agreement” means the Agreement on Association between the Borrower and the European Union and the EU Association on Atomic Energy and its Member States, dated June 27, 2014.
11. “MoECI Project Coordination Unit” or “MPCU” means the unit established by MoECI for the implementation of Part 3 of the Project.
12. “Fiscal Year” means the Borrower’s fiscal year, the period starting from January 1 to December 31.
13. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
14. “MOF” means the Borrower’s Ministry of Finance, or its legal successor.
15. “MoECI” means the Borrower’s Ministry of Energy and Coal Industry, or its legal successor.
16. “MoECI POM” or “MoECI Project Operational Manual” means the operational manual adopted by MoECI and referred to in Section I.A.1(b) and of Schedule 2 to this Agreement, setting forth the operational requirements, criteria, institutional arrangements and operational procedures for the implementation of the Project, including, *inter alia*, procurement, financial management, disbursement, accounting, audit, environmental and social safeguards requirements, monitoring and evaluation arrangements, as amended from time to time with the agreement of the Bank.
17. “MOE” means the Borrower’s Ministry of Economic Development and Trade, or its legal successor.
18. “National Energy and Utilities Regulatory Commission” or “NEURC” means the Borrower’s authority for state regulation of power and communal services, established pursuant to the Decree of the President of Ukraine No. 694/2014 dated August 27, 2014, and with its statutes approved by the Decree of the President of Ukraine No. 715/2014 dated September 10, 2014.
19. “Parks and Protected Areas” means the natural territories and sites as well as artificially created sites so designated pursuant to the Law of Ukraine “On Nature Reserve Fund” dated June 16, 1992, No. 2456-XII.
20. “PIE POM” or “PIE Project Operations Manual” means the operational manual adopted by the Project Implementing Entity and referred to in Section I.B.1(b) of Schedule 2 of this Agreement, setting forth the operational requirements, criteria, institutional arrangements and operational procedures for the implementation of the Project, including, *inter alia*, procurement, financial management, disbursement, accounting, audit, environmental and social safeguards requirements, monitoring and evaluation arrangements, as amended from time to time with the agreement of the Bank.

21. “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 (revised July 2014).
22. “Procurement Plan” means the procurement plan provided by the Borrower for the Project dated November 11, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
23. “Project Implementing Entity” means State Enterprise National Power Company Ukrenergo (“Ukrenergo”), established pursuant to the Order No. 54 of the Ministry of Energy dated April 15, 1998 and Statutes approved by the Order of the MoECI No. 127 dated February 21, 2012 and registered on March 3, 2012.
24. “Project Implementation Unit of the Project Implementing Entity” or “PIU of the Project Implementing Entity” means the Project implementation unit established by the Project Implementing Entity pursuant to the Order No. 161, dated July 16, 2014; or its legal successor.
25. “Project Implementing Entity’s Legislation” means the Commercial Code of Ukraine No. 436-IV, dated January 16 2003; the Law of Ukraine on Electricity Sector No. 575/97-VR dated October 16, 1997; and the Electricity Market Law of Ukraine.
26. “Smart Grid” means an electricity network based on digital technology that is used to supply electricity to consumers via two-way digital communication, allowing for monitoring, analysis, control and communication within the supply chain to help improve efficiency, reduce the energy consumption and cost, and maximize the transparency and reliability of the energy supply chain.
27. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Borrower through MOF shall make parts of the proceeds of the Loan available to the Project Implementing Entity to facilitate implementation of Parts 1, 2.1, 2.3, and 2.4 of the Project.
28. “System Operator” means the entity of the electricity market so named in accordance with the Electricity Market Law of Ukraine.
29. “Training” means Project-related training, and includes Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers’ contracts, including costs of training materials, space and equipment rental, reasonable and necessary local and international travel by participants in training activities, reasonable lodging and accommodation, subsistence and local and international per diem of trainees and trainers, registration, tuition and facilitators’ fees, translation and interpretation, and other training related miscellaneous costs, all based on budgets acceptable to the Bank.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

“Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”
3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.
4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”
5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”
7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.