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LOAN NUMBER 4877 UA

# Loan Agreement

(Second Development Policy Loan)

between

UKRAINE

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated February 2, 2008

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## **LOAN NUMBER 4877 UA**

### **LOAN AGREEMENT**

Agreement dated February 2, 2008, entered into between UKRAINE (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement, and (b) the Borrower’s maintenance of an appropriate macro-economic policy framework. The Borrower and the Bank therefore 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 million Dollars (US\$300,000,000) (“Loan”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 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 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. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 January 15 and July 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 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.10 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

### **ARTICLE III - PROGRAM IMPLEMENTATION**

- 3.01 The Borrower declares its commitment to implementation of the Program. To this end:
- (a) the Borrower, through its Ministry of Economy, and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;
  - (b) prior to each such exchange of views, the Borrower, through its Ministry of Economy, shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
  - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower, through its Ministry of Economy, shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program.

### **ARTICLE IV - REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

### **ARTICLE V - EFFECTIVENESS; TERMINATION**

- 5.01. The Effectiveness Deadline is ninety (90) days after the date of this Agreement.
- 5.02. 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

Telex:

131450

Facsimile:

(380-44) 253-82-43  
(380-44) 777--54-43

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:

INTBAFRAD  
Washington, D.C.

Telex:

248423(MCI) or  
64145(MCI)

Facsimile:

1-202-477-6391

AGREED at Kyiv, Ukraine, as of the day and year first above written.

UKRAINE

By /s/ Bohdan Danylyshyn  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Paul Bermingham  
Authorized Representative

**SCHEDULE 1****Program Actions; Withdrawal of Loan Proceeds****Section I. Actions under the Program****Actions to be Taken Under the Program**

1. The Borrower has enacted new laws and amendments to its existing laws to prepare for possible WTO accession, the titles and references of which are all as set forth in the Annex to this Schedule.
2. The Borrower has taken the following actions for the liberalization of the communication sector:
  - (a) rebalancing of telecom tariffs (including reducing the cost of long-distance calls on fixed lines);
  - (b) frequency allocations (including allocating 70% of the military spectrum to civilian usage by Resolution of Cabinet of Ministers № 1208 of December 15, 2005 “On Approval of the National Table for Radio Frequencies Allocation in Ukraine”);
  - (c) issuance of new mobile phone licenses, thereby allowing a significant increase in market penetration (to 63% as of end of 2006); and
  - (d) regulation of interconnection obligations (by Decision of National Commission on Regulation of Communications № 155 of December 8, 2005 “On Approval of Procedures of Interconnection of Telecommunication Networks of General Use”).
3. The Borrower has enacted Law of Ukraine № 877-V dated April 5, 2007 entitled “On the key principles of state supervision (control) in the sphere of economical activity” (its “Inspections Law”), setting forth the key principles of public control of entrepreneurial activity.
4. The Borrower has enacted Law of Ukraine № 2711-IV dated June 23, 2005 entitled “On actions taken to ensure stable functioning of enterprises of fuel and energy complex” relating to its energy debt, and has commenced its debt restructuring process and achieved a reduction of debts outstanding by electricity distribution companies (Oblenergos) to Energorynok.
5. The Borrower has reduced the quasi-fiscal deficit in the energy sector in 2006 as expressed as a percentage of Gross Domestic Product relative to 2005.

6. The Borrower has maintained the deficit for its Consolidated Budget for fiscal years 2005 and 2006 at a percentage of 3.5% or less of its Gross Domestic Product.

7. The Borrower has enacted Law of Ukraine № 185-V dated September 21, 2006 entitled “On Management of Enterprises with the State Form of Property”, governing the management of state-owned enterprises.

8. The Borrower has introduced and implemented its first internationally accepted standardized performance test in general secondary education (Test in International Mathematics and Science Study - TIMSS).

**Section II. Withdrawal of Loan Proceeds**

**A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

**B. Allocation of Loan Amounts.** The Loan shall (except for amounts required to pay the Front-end Fee) be withdrawn in a single tranche. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in dollars)
Single Tranche	299,250,000
Front-end Fee	750,000
TOTAL AMOUNT	300,000,000

**C. Deposits of Loan Amounts.** Except as the Bank may otherwise agree:

1. the Single Tranche withdrawal from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and

2. the Borrower shall ensure that upon deposit of the Single Tranche of the Loan into this account, an equivalent amount is accounted for in the Borrower’s budget management system, in a manner acceptable to the Bank.

**D. Excluded Expenditures.** The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any

time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

**E. Closing Date.** The Closing Date is June 30, 2008.



**ANNEX TO  
SCHEDULE 1**

A list of the laws and amendments to laws enacted and referred to in paragraph 1 of Section I of Schedule 1 to comply with WTO Regulations

1. Law of Ukraine *On Amendments to Some Legislative Acts Laws of Ukraine on regulating operations related to production, export and import of disks for laser sensor systems, equipment and raw materials for their production* #2734-IV dated 06.07.05. The Law brings order to production, export/import of laser reading system disks, equipment and raw materials for their manufacture. The Law introduces more effective mechanisms for combating piracy in Ukraine. Thus, national legislation is enacted in compliance with TRIPS Agreement requirements of WTO.
2. Law of Ukraine *On Amendments to Some Laws of Ukraine* # 2775-IV dated 07.07.05. The Law has made changes to the rates of import tax on agricultural produce (groups 1-24 of Ukrainian Classification of Foreign Trade Goods - *UKTZED*) by reducing them, which is in line with international practice principles and consistent with provisions of WTO agreements.
3. Law of Ukraine *On Amendments to the Law of Ukraine On Insurance* #2774-IV dated 07.07.05. The Law provides for lifting restrictions on the opening of foreign insurer branches in Ukraine in five years after Ukraine's WTO accession.
4. Law of Ukraine *On Amendments to the Law of Ukraine On the Rates of Export Tax on Seeds of Some Varieties of Oil-Bearing Crops* #2773-IV dated 07.07.05. The Law provides for reducing export tax on some varieties of oil-bearing crops as of the date of Ukraine's WTO accession.
5. Law of Ukraine *On Amendments to the Law of Ukraine On Auditing Activity* #2738-IV dated 07.06.05. The Law establishes a rule that foreign auditors may be granted a certificate to carry out activity in Ukraine, which in turn is consistent with GATS Article II, Most-favored Nation Treatment.
6. Law of Ukraine *On Amendments to the Law of Ukraine On Quality and Safety of Foodstuff and Food Raw Materials* #2809-IV dated 09.06.05. The Law was passed in compliance with the WTO Agreement on sanitary and phytosanitary measures.
7. Law of Ukraine *On Amendments to Some Legislative Acts Laws of Ukraine* #3078-IV dated 11.15.05. With the passage of the Law, rules of some laws of Ukraine have been brought into consistence with the Agreement on sanitary and phytosanitary measures.

8. Law of Ukraine *On the Protection of National Commodity Producer from Dumping Imports* #3027-IV dated 11.01.05. Rules of the Law have been brought into line with GATT Article VI, Anti-dumping and Compensation Duties, and requirements of the Agreement on protective measures.
9. Law of Ukraine *On Amendments to the Law of Ukraine On Special Measures With Regard to Imports in Ukraine* #3028-IV dated 11.01.05. The Law has been brought into line with GATT and the Agreement on protective measures of GATT/WTO.
10. Law of Ukraine *On Amendments to the Law of Ukraine On the Protection of Consumer Rights* #3161-IV dated 12.01.05. The Law has eliminated unnecessary technical barriers to trade, streamlined procedures for marketing goods which fall within a legislatively regulated sphere, are produced by the sides and are export/import articles. The Law was developed based on EU Directives.
11. Law of Ukraine *On Standards, Technical Regulations and Procedures of Conformity Evaluation* #3164-IV dated 12.01.05. The Law regulates procedure for development and application of technical regulations that must contain requirements concerning the safety of human life and health, animals, plants, national security, protection of the environment and natural resources and prevention of unfair practices. The Law establishes procedures for development and adoption of national standards and conformity evaluation, provision of information on standards, technical regulations and conformity evaluation for national manufacturers and trade partners of Ukraine. The Law's rules have been brought into line with the WTO Agreement on technical barriers to trade.
12. Law of Ukraine *On Amendments to Some Legislative Acts Laws of Ukraine* #3269-IV dated 12.22.05. The Law has updated procedure for establishment, and terms of declaration, of custom value and identification of a country of origin of goods that cross Ukraine's custom boarder. The Law has amended sections XI, XII of the Customs Code of Ukraine thereby bringing the relevant sections of the Code into line with the Agreement on application of Article VII of GATT concerning custom valuation rules.
13. The Law of Ukraine *On Amendments to the Law of Ukraine On Development of the Automotive Industry of Ukraine* #2740-IV dated 07.06.04 (regarding abolishing localization terms in the production of vehicles and components).
14. The Law of Ukraine *On Some Issues of Importation of Transport Facilities into Ukraine and their Registration* (changes in the age restrictions on the import of transport facilities into Ukraine) #2739-IV dated 07.06.05.

15. The Law of Ukraine *On Amendments to the Law of Ukraine On VAT imposed on agricultural enterprises* # 2987 – IV dated 10.18.05. (regarding abolishment of the special regime of taxation of agricultural enterprises).
16. The Law of Ukraine *On Amendments to the Law of Ukraine On Some Issues of Importation of Transport Facilities into Ukraine's Custom Territory* (regarding registration of transport facilities) #3151-IV dated 11.30.05.
17. The Law of Ukraine *On Amendments to the Law of Ukraine On Television and Broadcasting* #3317 – IV dated 01.12.06. The Law increases the share of foreign capital in the statutory capital of TV and broadcasting organizations consistent with the Economic Code of Ukraine.
18. The Law of Ukraine *On Amendments to the Law of Ukraine On Quarantine of Plants* #3369-IV dated 19.01.06. The Law has established general legal, organizational and financial principles of plants quarantine, the powers of public authorities and their officials, the rights and obligations of legal entities and individuals designed to prevent quarantine organisms that are absent in Ukraine from getting into and spreading across this country.
19. The Law of Ukraine *On Amendments to Art. 8 of the Law of Ukraine On the Protection of Rights to Indication of Origin of Goods* # 316-V dated 11.02.06 (regarding the protection in Ukraine of place-names of origin of goods if they are protected in the country of origin).
20. The Law of Ukraine *On Amendments to Art. 25 of the Law of Ukraine On the Publishing Business* # 317-V dated 11.02.06 (regarding eliminating restriction of establishment and operation of organizations distributing printed products, which statutory fund comprises more than 30% of foreign capital (investment), that will become effective in five years after Ukraine's WTO accession).
21. The Law of Ukraine *On Amendments to Art. 7 of the Law of Ukraine On Pesticides and Agricultural Chemicals* # 335-V dated 11.14.06 (regarding establishing a ten-year period of protection of confidential data).
22. The Law of Ukraine *On Amendments to the Law of Ukraine On Export Tax on Livestock and Rawstock* #356-V of 11.16.2006 (as to establishing an export tax on livestock at 50% of customs value with subsequent annual reduction by 5 percentage points to the rate of 10% and establishing an export tax on hide and rawstock at 30% of customs value with subsequent annual reduction by 1 percentage point to the rate of 20%).
23. The Law of Ukraine *On Amendments to the Law of Ukraine On Foreign Trade Activity* #360-V of 11.16.06 (as to bringing Ukraine's legislation on non-tariff regulation of imports into line with WTO regulations).

24. The Law of Ukraine *On Amendments to the Law of Ukraine On Veterinary Medicine* #361-V of 11.16.06 (as to bringing Ukraine's legislative framework in the veterinary control area into conformity with international standards and WTO agreements).
25. The Law of Ukraine *On Amendments to the Law of Ukraine On Medications* #362-V of 11.16.06 (as to introducing an additional five-year period of protection of confidential information in registering medications).
26. The Law of Ukraine *On Amendments to the Customs Code of Ukraine* #359-V of 11.16.06 (as to adjusting the Customs Code, in its part concerning protection of intellectual property rights, to the TRIPS Agreement, which is one of 28 agreements of the GATT/WTO system).
27. The Law of Ukraine *On Amendments to the Law of Ukraine On Insurance* #357-V of 11.16.06 (regarding lifting the restrictions on intermediary activities in Ukraine with regard to conclusion of insurance agreements with foreign insurers during the transitional period of 5 years of the date of WTO accession, granting permission to carry out reinsurance on insuring risks related to sea shipping, commercial aviation, launching of space rockets and freight traffic activity (including satellites) as of the date of WTO accession).
28. The Law of Ukraine *On Amendments to the Law of Ukraine On the Profession of Lawyer* #355-V of 11.16.06 (regarding allowing foreign lawyers to practice the profession in Ukraine).
29. The Law of Ukraine *On Amendments to the Law of Ukraine On Banks and Banking* #358-V of 11.16.06 (regarding opening of foreign bank branches in Ukraine).
30. The Law of Ukraine *On Amendments to Some Laws of Ukraine* #374-V of 11.17.06 (as to the cost of a license to produce and sell spirits, alcoholic beverages and tobacco products).
31. The Law of Ukraine *On Amendments to the Law of Ukraine On Export Tax on Iron-and Steel Scrap* of 30.11.06 № 400-V (as to introduction of lower rates of export tax on scrap from 30 Euro to 10 Euro per 1 ton during 6-year period).
32. The Law of Ukraine *On Amendments to the Law of Ukraine On State Support of Agriculture in Ukraine* #401-V of 11.30.06 (regarding adjusting some legal norms to WTO and EU regulations in the part concerning the regulation of import and export transactions with regard to state price regulation objects).

33. The Law of Ukraine *On Amendments to the Law of Ukraine On Milk and Dairy Products* #402-V of 11.30.06 (regarding deleting the clause about support for the export of dairy products and cancellation of minimum milk and dairy product prices).
34. The Law of Ukraine *On Amendments to the Law of Ukraine On State Regulation of Sugar Production and Sale* #403-V of 11.30.06 (regarding canceling the concept of B and C quotas).
35. The Law of Ukraine *On Imposing Tariff Quota for Importing Raw Cane Sugar into Ukraine* #404-V of 11.30.06 (regarding imposing of annual tariff quota for importing raw cane sugar into Ukraine to the extent of 260,000 tons).
36. The Law of Ukraine *On Amendments to the Law of Ukraine On VAT* (regarding taxation of agricultural enterprises) #273-V of 10.19.06.
37. The Law of Ukraine *On Amendments to Some Laws of Ukraine* (regarding registration of transport facilities) #427-V of 12.06.06.
38. The Law of Ukraine *On Amendments to the Law of Ukraine On Export Tax on Alloyed Iron-and Steel Scrap, Nonferrous Metal Scrap and Related Intermediate Products* (regarding reduction of export tax rates) #441-V of 12.13.06.
39. The Law of Ukraine *On Amendments to the Law of Ukraine On VAT*, regarding taxation of agricultural producers # 1112-V of 05.31.07.
40. The Law of Ukraine *On the State System of Biological Safety in the Production, Testing, Transportation and Use of Genetically Modified Organisms* # 1103-V of 05.31.07.
41. The Law of Ukraine *On Amendments to the Law of Ukraine On Insurance* #1110-V of 05.31.07 (as to lifting the restriction on the insurance amount of 75% of cost of each insurance object under risk insurance agreements related to sea shipping, commercial aviation, launching of space rockets and freight traffic activity (including satellites) and empowering nonresident insurers to provide services under reinsurance agreements when delivering such services across a border (trans-border delivery)).
42. The Law of Ukraine *On Amendments to the Law of Ukraine On the Customs Tariff of Ukraine* #1109-V of 05.31.07 (the bill is of a purely technical nature and provides for switching to a new system of description and coding of goods built upon the international system HS 2002 and does not provide for changing import tax rates).

43. The Law of Ukraine *On Amendments to Art. 26 of the Law of Ukraine On Safety and Quality of Foodstuffs* #1104-V of 05.31.07 (regarding the change in notification term of importer about inspection from 48 hours to 60 days).
44. The Law of Ukraine *On Amendments to Art. 2 of the Law of Ukraine On the Rates of Export Tax on Seeds of Some Varieties of Oil-bearing Crops* #1113-V of 05.31.07 (regarding cancellation of indicative prices for these products).
45. The Law of Ukraine *On Amendments to the Law of Ukraine On Export Tax on Iron-and Steel Scrap* #1105-V of 05.31.07 (regarding reduced export tax rates on scrap as of the date of WTO accession, not a year after the accession).
46. The Law of Ukraine *On Amendments to the Law of Ukraine On Export Tax on Alloyed Iron-and Steel Scrap, Nonferrous Metal Scrap and Related Intermediate Products* #1106-V of 05.31.07 (as to reduced export tax rates on scrap as of the date of WTO accession).
47. The Law of Ukraine *On Amendments to the Law of Ukraine On Standards, Technical Regulations and Procedures of Conformity Evaluation* #1107-V of 05.31.07 (as to international standards taking priority over regional standards in developing national standards, technical regulations and conformity evaluation procedures).
48. The Law of Ukraine *On Amendments to the Law of Ukraine On the Procedure for Effecting Payments in Foreign Currency* #1108-V of 05.31.07 (as to extension of the period of deferred delivery of goods up to 180 days).
49. The Law of Ukraine *On Amendments to Some Legislative Acts of Ukraine Concerning the Protection of Intellectual Property* regarding meeting the terms of Ukraine's WTO accession #1111-V of 05.31.07 (as to elimination of counterfeited and pirated goods and equipment).

**SCHEDULE 2****Amortization Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Loan Payable</b>
July 15, 2013	12,500,000
January 15, 2014	12,500,000
July 15, 2014	12,500,000
January 15, 2015	12,500,000
July 15, 2015	12,500,000
January 15, 2016	12,500,000
July 15, 2016	12,500,000
January 15, 2017	12,500,000
July 15, 2017	12,500,000
January 15, 2018	12,500,000
July 15, 2018	12,500,000
January 15, 2019	12,500,000
July 15, 2019	12,500,000
January 15, 2020	12,500,000
July 15, 2020	12,500,000
January 15, 2021	12,500,000
July 15, 2021	12,500,000
January 15, 2022	12,500,000
July 15, 2022	12,500,000
January 15, 2023	12,500,000
July 15, 2023	12,500,000
January 15, 2024	12,500,000
July 15, 2024	12,500,000
January 15, 2025	12,500,000

## APPENDIX

### **Section 1. Definitions**

1. “Consolidated Budget” means the entire state budget, all local government budgets, and the budgets of the four state extra-budgetary funds (the Pension Fund, State Social Mandatory Insurance Fund for Unemployment, the Social Insurance Fund for Temporary Disability Fund, and the Insurance for Occupational Accidents and Sickness).
2. “Enacted” means adopted by the Verkhovna Rada (the Borrower’s Parliament and sole body of legislative power), signed by the President and published in the national standard “*Uryadovy Courier*”, “*Ofitsyiniy Visnyk Ukrainy*”, or “*Vidomosty Verkhovnoy Rady Ukrainy*”.
3. “Energorynok” means the State Enterprise “Energorynok” established pursuant to Decree No. 755 of the Cabinet of Ministers of Ukraine, dated May 5, 2000.
4. “Excluded Expenditure” means any expenditure:
  - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;
  - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-groups	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors



<b>Group</b>	<b>Sub-groups</b>	<b>Description of Item</b>
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
  - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;
  - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
  - (f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.
5. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005 (as amended through October 17, 2007) with the modifications set forth in Section II of this Appendix.
  6. "Gross Domestic Product" means gross domestic product as such term is defined in accordance with the definitions and conventions contained in the Standard System of National Accounts 1993, United Nations, New York, and as detailed on the website of the State Statistical Office of Ukraine ([www.ukrstat.gov.ua](http://www.ukrstat.gov.ua)).
  7. "Ministry of Economy" means the Borrower's Ministry of Economy, acting in accordance with the Statute on the Ministry of Economy of Ukraine, approved by Regulation of the Cabinet of Ministers of Ukraine No. 777 dated May 26, 2007.
  8. "Ministry of Finance" means the central body of executive power of the Borrower which acts in accordance with the Regulation of the Cabinet of Ministers No. 1837 dated December 27, 2006.

9. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated November 20, 2007 to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.
10. “Single Tranche” means the amount of the Loan allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
11. “WTO” means the World Trade Organization established on January 1, 1995, with Headquarters in Geneva, Switzerland.

**Section II. Modifications to the General Conditions**

The modifications to the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through October 17, 2007) are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 5.01 (*Project Execution Generally*), and 5.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.
4. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:
 

“Section 5.06. *Plans; Documents; Records*

... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank’s representatives to examine such records.”.
6. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 5.07. *Program Monitoring and Evaluation*

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Loan Agreement in support of which the Loan is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.