

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7677-UA

Project Agreement

(Roads and Safety Improvement Project)

between

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

and

**STATE ROAD ADMINISTRATION OF UKRAINE
UKRAVTODOR**

Dated April 21, 2009

PROJECT AGREEMENT

Agreement dated April 21, 2009, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and STATE ROAD ADMINISTRATION OF UKRAINE UKRAVTODOR (“Project Implementing Entity”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between Ukraine (“Borrower”) and the Bank. The Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II - PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity’s Representative is the Deputy Head of the Project Implementing Entity.
- 3.02. The Bank’s Address is:

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

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

Ukravtodor
9 Fizkultury Street
03680 MSP, Kyiv
Ukraine

Facsimile:

+380 44 287 4218

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Martin Raiser
Authorized Representative

STATE ROAD ADMINISTRATION OF UKRAINE
UKRAVTODOR

By /s/ Vadym Gurzhos
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. (a) The Project Implementing Entity shall oversee overall Project implementation.
- (b) The Project Implementing Entity shall maintain, for the purposes of the Project and throughout the Project implementation period, a Project implementation unit with adequate resources headed by a manager, and assisted by staff in sufficient number, and with qualifications and experience, satisfactory to the Bank. The Project implementation unit shall be responsible for carrying out day-to-day operation and technical implementation of the Project, including management of financial and procurement aspects and other Project-related tasks.
2. The Project Implementing Entity shall carry out the Project in accordance with policies and procedures set forth in the Project Operations Manual and shall not alter, amend, vary or waive any provision of the Project Operations Manual without consultation with, and the prior consent of, the Bank.

B. Subsidiary Agreement

1. To facilitate implementation of the Project, the Project Implementing Entity shall enter into a subsidiary agreement with MOF, under terms and conditions approved by the Bank, which shall include a provision that the proceeds of the Loan shall be made available to the Project Implementing Entity and that the Project Implementing Entity shall be responsible for the oversight and overall management of the Project and shall carry out the Project in accordance with the Project Operations Manual and the Anti-Corruption Guidelines (“Subsidiary Agreement”).
2. The Project Implementing Entity shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Project Implementing Entity and the Bank and to accomplish the purposes of the Project. Except as the Bank shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and its GAC Action Plan

D. Safeguards

1. Environmental Safeguard

(a) The Project Implementing Entity shall ensure that all measures necessary for the carrying out of the Environmental Management Plan shall be taken in a timely manner and that all legal and administrative planning and environmental permits and authorizations necessary to carry out the Project are secured in a timely manner and with due diligence.

(b) The Project Implementing Entity shall take all measures necessary and identified under the Environmental Management Plan at all times in a timely manner, ensuring that adequate information on the implementation of said measures is suitably included in the Project progress reports to be prepared pursuant to the provisions of Section II.B of this Schedule.

2. Land Acquisition and Resettlement

In the event that land acquisition and/or resettlement is required for the purposes of carrying out activities under Part 1 or Part 2 of the Project, the Project Implementing Entity shall:

(a) notify the Bank of any intended acquisition of land, in whole or in part, of any the following: residences, agricultural holdings, commercial structures and businesses; and/or land used by people without claim to legal title;

(b) prepare, in accordance with the Land Acquisition and Resettlement Framework, a Land Acquisition and Resettlement Plan, as necessary or appropriate, for any land acquisition or resettlement required under the Project;

(c) disclose each and every respective Land Acquisition and Resettlement Plan and all relevant information relating thereto in a manner satisfactory to the Bank no less than sixty (60) days prior to carrying out any land acquisition ; and

(d) ensure that all and any resulting land acquisition and/or resettlement under the Project shall be undertaken in accordance with the

provisions and procedures contained in the respective Land Acquisition and Resettlement Plan prepared in accordance with sub-paragraph (b) of this paragraph, and that all relevant, necessary and desirable information is adequately provided to all affected persons, and potentially affected persons, in a timely and adequate manner.

Section II. Project Monitoring, Reporting and Evaluation

A. Midterm Review

1. Not later than June 30, 2011 the Project Implementing Entity together with MOE, shall carry out with the Bank a midterm review of the progress made in carrying out the Project (the Midterm Review).

The Midterm Review shall cover, amongst other things:

- (a) progress made in meeting the Project's objectives; and
 - (b) overall Project performance against Project performance indicators.
2. The Project Implementing Entity, shall prepare, and at least three (3) month prior to the Midterm Review, furnish to the Bank, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally (the "Mid-term Report").

B. Project Reports and Implementation Plans

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in respect of the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators agreed with the Bank. Each such Project Report shall cover the period of one quarter of a calendar year, and shall be furnished to the Bank not later than one month after the end of the period covered by such report. Such reports shall be included by the Project Implementing Entity in a consolidated overall Project Report, which shall be promptly provided to the Bank.
2. The Project Implementing Entity shall provide to the Bank not later than six (6) months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Bank shall reasonably request for the purposes of that Section.
3. The Project Implementing Entity, on or about March 31 in each year of the Project, commencing March 31, 2010, shall prepare, and, on completion, promptly submit to the Bank for its review and comment:

(a) a consolidated report, consolidating the reports referred to in paragraph 1 above; and

(b) an annual forecast plan containing financial projections and revised and updated Project monitoring and evaluation indicators for the activities to be undertaken in the upcoming year, in a format acceptable to the Bank.

4. With respect to its annual road maintenance plan, and without prejudice to its obligations under paragraphs 1 and 3 above, the Project Implementing Entity shall prepare in each year of Project implementation:

(a) by no later than December 1, a plan for annual maintenance to be undertaken in the coming calendar year detailing estimated costs and aggregate financial budget; and

(b) by no later than March 31, a summary of actual expenditures incurred and maintenance carried out in the previous calendar year.

C Operational Audit

In the first year of the Project and, at the Bank's request, after discussing the matter with the Borrower, in any subsequent year thereafter, the Project Implementing Entity shall:

(a) fully cooperate with the independent external private audit firm engaged to carry out an operational audit of the Project in accordance with the provisions of Section II, C. of Schedule 2 of the Loan Agreement;

(b) provide all necessary information and access required for carrying out an operational audit, and the preparation of the annual audit report required in accordance with the provisions of Section II, C. of Schedule 2 of the Loan Agreement; and

(c) discuss the findings of the baseline operational audit report of the Project and any subsequent report promptly with the Bank at its request, and take the actions and put in place the measures that, as a result of the report, the Bank deems necessary or appropriate.

D. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity.
2. The Project Implementing Entity shall prepare and furnish to the Bank after the end of each calendar quarter (within forty-five days) interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Project Implementing Entity shall prepare annual audited financial reports for the Project in form and substance satisfactory to the Bank.
4. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year. The audited financial statements for each period shall be furnished to the Bank not later than six months after the end of the period covered.

Section III. Procurement

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