

Public Disclosure Authorized

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LOAN NUMBER 4729-UA

Loan Agreement

(Development of the State Statistics System for Monitoring the Social and Economic Transformation Project)

between

UKRAINE

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated July 15, 2004

Public Disclosure Authorized



LOAN NUMBER 4729-UA

LOAN AGREEMENT

AGREEMENT, dated July 15, 2004, between UKRAINE (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; and

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;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) “Category” means a category of items to be financed out of the proceeds of the Loan as set forth in the table in paragraph 1 of Schedule 1 to this Agreement, and the term “Categories” means more than one (1) Category collectively;

(b) “Eligible expenditures” means the expenditures for goods and services referred to in Section 2.02 (a) of this Agreement;

(c) “Fiscal Year” means the twelve (12) month period corresponding to any of the Borrower’s fiscal years, which period commences on January 1 and ends on December 31 in each calendar year;

(d) “ICT” means information and communications technology;

(e) “Inter-Agency Working Group” and “IWG” mean the group established by the Borrower pursuant to the Resolution No. 75-p of its Cabinet of Ministers dated February 11, 2004, and referred to in paragraph 1 of Section I of Schedule 5 to this Agreement;

(f) “Implementation and Grant Agreement” means the Implementation and Grant Agreement between the Ministry of Finance of Ukraine on behalf of the Borrower and the National Bank of Ukraine (NBU, as hereinafter further defined in paragraph (j) of this Section) to be entered into pursuant to the provisions of Section 3.01 (c) of this Agreement, setting forth the arrangements necessary for the carrying out of Part C.7 and C.8.2 of the Project by the NBU and for the making of a portion of the proceeds of the Loan available to NBU for the said purposes;

(g) “MOEIEI” means the Borrower’s Ministry of Economy and Issues of European Integration established and functioning under the provisions of the Decree of the President of Ukraine “On the Ministry of Economy of Ukraine,” No. 1159/2000, dated October 23, 2000, as amended from time to time;

(h) “Ministry of Finance” and “MOF” mean the Borrower’s Ministry of Finance established and functioning under the provisions of the Decree of the President of Ukraine No. 1081/99, dated August 26, 1999, “On the Statute of the Ministry of Finance of Ukraine”;

(i) “Monitoring and Evaluation Indicators” means the agreed performance indicators set forth in a letter of even date herewith to be utilized by the Borrower under the Project to measure the progress in the implementation of the Project and the degree to which the objectives thereof are being achieved;

(j) “NBU” means the Borrower’s Central Bank, the National Bank of Ukraine, established and functioning under the Borrower’s Law No. 679-XIV “On the National Bank of Ukraine”, dated May 20, 1999;

(k) “NBU Legislation” means the set of legislative and regulatory acts governing the establishment and functioning of the NBU, and including, without limitation, the Borrower’s Law No. 679-XIV “On the National Bank of Ukraine”, dated May 20, 1999;

(l) “Operations Manual” means the manual developed by the SSCU (as hereinafter defined in paragraph (o) of this Section) and adopted by its Order No. 49 dated January 29, 2004, setting forth the mechanisms and procedures of Project management, in particular in the area of financial management and procurement, as the same may be amended from time to time in accordance with the provisions of paragraph 2 of Section II of Schedule 5 to this Agreement;

(m) “Project Implementation Unit” and “PIU” mean the Unit established pursuant to the Order No. 350 of the SSCU (as hereinafter defined in paragraph (o) of this Section) dated October 21, 2003, and referred to in paragraph 2 of Section I of Schedule 5 to this Agreement;

(n) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(o) “State Statistics Committee of Ukraine” and “SSCU” mean the Borrower’s specially authorized central executive body responsible for the conducting of state statistical activity in the Borrower’s territory, established and functioning pursuant to the provisions of the Decree of the President of Ukraine No. 734/97 dated July 29, 1997 “On Establishment of the State Committee of Ukraine for Statistics”, the Decree of the President of Ukraine No. 1573/99, dated December 15, 1999 “On Introducing Changes to the Law of Ukraine on State Statistics”, and the Borrower’s Law No. 1922-III, dated July 13, 2000, “On the Change of the Structure of Executive Bodies,” as the same may be amended from time to time; and

(p) “State Statistical System of Ukraine” means the Borrower’s system of the state statistics bodies which under Article 11 of the Borrower’s Law No. 1922-III, dated July 13, 2000, regarding “On Introducing Changes to the Law of Ukraine on the State Statistics,” and consists of: (i) the specially authorized central executive body in the field of statistics – the SSCU; (ii) territorial state statistics bodies of the Autonomous Republic of Crimea, regions, districts and cities/towns created according to the law by the SSCU; and (iii) functional state statistics bodies – enterprises, establishments and institutions created by and subordinated to the SSCU in the domain of statistics in accordance with legislation, as well as other central executive bodies and NBU, which are developers of statistical data.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to thirty-two million Dollars (\$32,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of: (i) the reasonable cost of goods, technical services and services required for the Project and to be financed out of the proceeds of the Loan; and (ii) the fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a separate special deposit account in a foreign commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus the LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.

- (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of the LIBOR Base Rate and the LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months’ notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out, respectively: (i) Parts A, B, C.1, C.2, C.3, C.4, C.5, C.8.1, C.9, C.10, E and F of the Project, through the SSCU; (ii) Part C.6 of the Project, through the MOF; (iii) Parts C.7 and C.8.2 of the Project, through the NBU; and (iv) Part D of the Project, through the MOE, all with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental, financial, fiscal, statistical and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) The Borrower shall make available to the NBU on a grant basis the proceeds of the Loan allocated from time to time to Categories (1) (a) and (2) (a) set forth in paragraph 1 of Schedule 1 to this Agreement, under the Implementation and Grant Agreement to be entered into between the Ministry of Finance on behalf of the Borrower and the NBU under terms and conditions which shall have been approved by the Bank.

(d) The Borrower, through MOF, shall exercise its rights under the Implementation and Grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Implementation and Grant Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, the procurement of the goods and technical services and the selection and employment of the consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower, through the PIU, shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through the SSCU and with the assistance of the PIU, shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower, through the SSCU and with the assistance of the PIU, shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each Fiscal Year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower, through the SSCU and with the assistance of the PIU, shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

- (ii) retain, until at least one (1) year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 4 of Section II of Schedule 5 to this Agreement, the Borrower, through SSCU and with the assistance of the PIU, shall prepare and furnish to the Bank a financial monitoring report (FMR), in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as of the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than forty-five (45) days after the end of the first quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first quarter; thereafter, each FMR shall be furnished to the Bank not later than forty-five (45) days after each subsequent quarter, and shall cover such quarter.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) The NBU shall have failed to perform any of its obligations under the Implementation and Grant Agreement.

(b) The NBU Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the NBU or its ability to carry out Parts C.7 and C.8.2 of the Project.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional events are specified, namely, any of the events specified in Section 5.01 of the Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Implementation and Grant Agreement has been executed between the MOF on behalf of the Borrower and the NBU.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Implementation and Grant Agreement has been duly authorized or ratified by the MOF on behalf of the Borrower and the NBU and is legally binding upon the MOF on behalf of the Borrower and the NBU in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Telex:

131450

Facsimile:

(380-44) 201-5685
(380-44) 253-8243

For the Bank:

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Kyiv, Ukraine, as of the day and year first above written.

UKRAINE

By: /s/ Mykola Yanovych Azarov

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Luca Barbone

Country Director
Ukraine, Belarus and Moldova
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category, and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods and technical services:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 80% of local expenditures for other items procured locally
(a) under Parts C.7 and C.8.2 of the Project	39,000	
(b) under Parts A, B, C.1, C.2, C.3, C.4, C.5, C.8.1, C.9, C.10, E and F the Project	17,878,000	
(c) under Part D of the Project	152,000	
(d) under Part C.6 of the Project	17,000	
(2) Consultants' and Training services, including services for audits:		100% for foreign consulting firms and foreign individual consultants, 87% for local consulting firms, and 92% for local individual consultants
(a) under Parts C.7 and C.8.2 of the Project	814,000	

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(b) under Parts A, B, C.1 C.2, C.3, C.4, C.5, C.8.1, C.9, C.10, E and F of the Project	10,704,000	
(c) under Part D of the Project	612,000	
(d) under Part C.6 of the Project	521,000	
(3) Study tours and training under Part F of the Project	37,000	100%
(4) Operating Costs	114,000	90% through December 31, 2005, 80% through December 31, 2006, 60% through December 31, 2007, and 40% through December 31, 2009
(5) Front-end fee	320,000	Amount due under Section 2.04 of this Agreement
(6) Unallocated	<u>792,000</u>	
TOTAL	<u>32,000,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term “foreign consulting firm” means a consulting firm which is registered or incorporated in the territory of any country other than that of the Borrower;

(d) the term “foreign individual consultant” means an individual consultant who is a national of a territory of any country other than that of the Borrower;

(e) the term “local consulting firm” means a consulting firm which is registered or incorporated in the territory of the Borrower;

(f) the term “local individual consultant” means an individual consultant who is a national of, or is resident in the territory of the Borrower; and

(g) the term “Operating costs” means expenditures incurred to finance the reasonable and necessary expenses for the operations, administration and ordinary maintenance of the PIU, and which include rent, utilities, office equipment, supplies, software, and the cost of communications, transportation and operational travel of the staff of the PIU.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) goods, under contracts costing less than \$100,000 equivalent each, but excluding those referred to in paragraph 2 (b) of Part D of Section I of Schedule 4 to this Agreement; (ii) services of consulting firms and training, under contracts costing less than \$100,000 equivalent each, but excluding those referred to in paragraph 2 (a) (ii) of Part D of Section II of Schedule 4 to this Agreement; (iii) services of individual consultants, under contracts costing less than \$25,000 equivalent each, but excluding those referred to in paragraph 2 (b) of Part D of Section II of Schedule 4 to this Agreement; and (iv) study tours and training under paragraph 3 of Section II of Schedule 5 to this Agreement and Operating costs, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to build a sustainable state statistical system which would efficiently and effectively collect, process and disseminate accurate, timely, coherent and trustworthy statistical data concerning the economy and social conditions of the Borrower required by the government, business and society to make informed decisions, and encompassing a comprehensive reform of the State Statistical System of Ukraine, primarily through the modernization of the State Statistical Committee, and: (i) the improvement of the statistical policy and the regulatory and institutional framework, including issues such as independence and confidentiality, and the adequacy of legislation and the dialogue with data users; (ii) the establishment of a system for human resource development; (iii) the development of statistical infrastructure, including such aspects as business registers, sampling frames, classifications, database structures and geographic information systems; and (iv) the upgrading and development of statistical operations and procedures, physical infrastructure and equipment.

The Project consists of the following parts (components), subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Organizational Development and Management

1. Streamlining of the Organizational Set-up of the Borrower's State Statistical System

Carrying out of a comprehensive program of organizational restructuring of the SSCU, including modernization of its field activities with a view to create a more compact regional structure with well-trained staff, aimed at: (i) improving the modification of data collection, processing, storage and transfer system; (ii) introducing new elements or strengthening the existing elements of statistical infrastructure; and (iii) introducing further requirements for the statistical information dissemination system, and including the establishment of new divisions and liquidation of the old ones, the proper re-allocation of functions between central and regional offices as well as between subject-matter and functional departments and divisions, and application of more functional approach versus the subject-matter.

2. Building of Institutional Management Systems

Carrying out of a program designed to establish modern management systems in the following areas:

(a) Financial Management and Planning (strategic and operational), on the basis of a programmatic approach to financing and the introduction of new procedures of developing of core data collection plan for the central and regional levels to achieve more efficacious priority setting for statistical works.

(b) Human Resources Management, through the upgrading of personnel selection and training, the introduction of staff performance incentives, and the improvement of the remuneration system by linking it to the performance and developing job specifications for managers and regular staff of the state statistics bodies, including the establishment of the staff management information system and, on the basis thereof, the introduction of a time-reporting and personnel performance assessment system.

(c) Quality Management, through the building of a framework therefor based on principles that include user demand satisfaction, establishment of partnership with respondents and administrative data providers and, within the SSCU, continuous incentives for quality improvement and full involvement of staff in quality improvement initiatives.

(d) Document Management, through the establishment of a single information system therefor designed to increase the efficiency of operations of staff, units and organization in the whole, decrease the time of information dissemination, introduce unified electronic document processing standard, and enable the protection of and timely data access.

3. Strengthening of the System of Staff Training and Re-training

Launching of a system of continuous and obligatory staff training, coherent with the professional development, planning and promotion procedures developed under the SSCU's statistical training strategy, encompassing the establishment of training centers furnished with appropriate equipment, modern training programs and manuals, and creation of a Statistical Training Consultative Council and a special unit at the SSCU headquarters to support statistical training coordination.

4. Development of Statistical Data Dissemination and Users' Education Strategy

Implementation of a practice of comprehensive assessment of needs of statistical data users, including improvement of formats and modes of information presentation and dissemination, in particular, through the application of geographical information systems, and enhancement of the cooperation with users and the understanding by the users of statistical data and relevant methodology, through the development of a users' education strategy, the carrying out of periodic users' satisfaction surveys, and the establishment of the National Statistical Council within the SSCU.

5. Improvement of Relations with Respondents and Data Providers

Carrying out of workshops and surveys designed to allow the SSCU to improve the quality of input data, make a more extensive use of administrative data instead of or together with survey data, and reduce the overall respondent burden.

Part B: Statistical Infrastructure

Improvement of the basic elements of the statistical infrastructure, encompassing the improvement of a household sample frame, the establishment of the statistical register, the introduction of the unified classification system, and the improvement of the legislative base of state statistical system, specifically through: (i) the establishment of a full-scale household sample frame based on the 2001 population Census so as to increase household surveys versatility and representation of the small area survey data; (ii) the monitoring of the structural changes in economy in the course of creation, restructuring and liquidation of economic entities; and (iii) the introduction of the conditions necessary for the extensive application of sample surveys.

Part C: Data Development

Carrying out of a comprehensive program aimed at upgrading, improving and streamlining data collection mechanisms for: (1) household sample surveys; (2) integrated annual enterprise statistics; and (3) sub-annual surveys of economic activities, specifically through: (i) the improvement of multipurpose sample household surveys; (ii) the integration of the existing enterprise surveys; (iii) the revision of data collection periodicity; and (iv) the introduction of sampling methods into enterprise surveys, all with the aim for reorienting data content towards topical issues, reducing the lengths of questionnaires and improving their design, reducing sample sizes through increased use of sampling procedures, and consolidating requests for annual data into a single integrated annual survey and requests for sub-annual data into a single integrated survey, and fully implementing international standards in the major data categories pertaining to: (4) national accounts; (5) price statistics; (6) government finance statistics; (7) money and banking statistics; (8.1) foreign trade and (8.2) balance of payments; (9) demography, social statistics and poverty statistics; and (10) other relevant statistics, through enhancement of source data and improvement in compilation methodology, and the carrying out of selected pilots surveys to test the upgraded/newly introduced surveys.

Part D: Strengthening of Information Basis for Decision-making and Forecasting in the Ministry of Economy and Issues of European Integration

1. Modernization of data presentation and processing for analytical purposes

Creation of a special-purpose information system to support decision making and forecasting and facilitate the analytical work through integration of various data sets, including the formulation of methodological recommendations on analytical activities and the development and implementation of combining analysis and forecasting stages, and the provision of modern software and hardware as required therefor.

2. Application of New short- and Medium-term Forecasting models

Upgrading of the capacity of the Borrower's Ministry of Economy and Issues of European Integration to make reliable short and medium-term economic forecasts, encompassing the development of: (i) a forecasting methodology for the main macroeconomic indicators with the use of newly developed short- and medium-term forecasting models which take into account specific behavior of economic variables in transitional period, capabilities of the Ukrainian statistics system to ensure timeliness, consistency, accessibility and quality of statistical data; and (ii) methodology and practical implementation of forecasting models on the basis of quarterly national accounts and seasonally adjusted data.

Part E: Introduction of Modern Information and Communication Technology

Upgrading of information and communications technology on the basis of the implementation of a single, coherent and up-to-date ICT Strategy, including specifically the upgrading of: desktop hardware and software, the internal computer network, the database management and data processing systems, the security, archiving and confidentiality protection systems, and the data dissemination and exchange systems, as follows:

1. Development of a Detailed Design for State Statistics System Informatization

Development of a detailed design of the state statistics system ICT modernization strategy, with the aim of serving as a foundation for the introduction of more effective technological processes on the basis of standard paperless technological schemes of statistical data processing.

2. Source Data Collection, Processing and Storage Systems

Carrying out of a program aimed to: (i) develop unified survey management systems including appropriate subsystems for primary data input, storage and processing, which could be customized to any questionnaire according to its description in the form of metadata; (ii) introduce electronic means of data collection; (iii) develop electronic

data exchange (EDI) technology for administrative data; (iv) establishment of central data warehouse as well as data storage facilities for primary data at the regional (*oblast*) and district (*rayon*) levels; (v) upgrade data processing software; and (vi) establish a system for survey meta-data storage and management.

3. Storage and Dissemination of Statistical Output

Establishment of the necessary ICT facilities, such as Unified output data- and metadata base with an on-line access, for a single source of information for various types of data dissemination, both traditional, and electronic, including computerization of SSCU publications and data dissemination, particularly via Internet, and introduction of electronic user-tailored dissemination, made possible with the creation of the Unified database.

4. Ensuring Data Confidentiality and Security

Development of a general concept of confidentiality protection and statistical data security with a view to define the structure and configuration of main facilities for data protection, taking into account various aspects of data confidentiality maintenance and transparency of statistical agency's operation, and deliberation of organizational, normative and technical features of safety to be integrated in all the subsystems related to data collection, processing, storage and dissemination.

5. Technical Infrastructure

Upgrading of ICT equipment, including equipment for: (i) communication facilities to establish local area networks at the headquarters and region (*oblast*) statistics departments, as well as a corporate network, to unite the local area networks and ensure on-line access to the centrally stored data and to applications based on client-server architecture, contained in the configuration of the distributed enterprise system; (ii) server equipment to enable operation of a number of subsystems at central and regional levels, such as internal and external communications, data storage, processing and dissemination; (iii) personal computers and printers; and (iv) other related office equipment.

6. Computerization and Human Resources

Provision of specialized training to the SSCU ICT staff, including training on administration of local and corporate networks, databases, data storage and protection system, Internet technology, optical character recognition technology, hardware maintenance, application of modern information technology, and professional training of statisticians in the area of applied information technologies, in particular, through introduction of remote training courses.

Part F: Project Management

Strengthening of the PIU, specially in the areas of procurement and financial management, as to enable it to properly coordinate and promote the Project activities and carry out the audits of the Loan, including provision of management training to the PIU staff, office equipment, and software.

* * *

The Project is expected to be completed by June 30, 2009.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)*</u>
August 15, 2009	945,000
February 15, 2010	955,000
August 15, 2010	960,000
February 15, 2011	970,000
August 15, 2011	975,000
February 15, 2012	985,000
August 15, 2012	995,000
February 15, 2013	1,000,000
August 15, 2013	1,010,000
February 15, 2014	1,020,000
August 15, 2014	1,025,000
February 15, 2015	1,035,000
August 15, 2015	1,045,000
February 15, 2016	1,050,000
August 15, 2016	1,060,000
February 15, 2017	1,070,000
August 15, 2017	1,075,000
February 15, 2018	1,085,000
August 15, 2018	1,095,000
February 15, 2019	1,105,000
August 15, 2019	1,115,000
February 15, 2020	1,120,000
August 15, 2020	1,130,000
February 15, 2021	1,140,000
August 15, 2021	1,150,000
February 15, 2022	1,160,000
August 15, 2022	1,170,000
February 15, 2023	1,180,000
August 15, 2023	1,185,000
February 15, 2024	1,190,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Technical Services

Part A: General

Goods and technical services shall be procured in accordance with: (i) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (ii) the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section: (i) goods; and (ii) technical services consisting of reproduction of informational materials under Part A of the Project, shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and technical services to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of contracts

To the extent practicable, contracts for goods and technical services shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(c) Notification and Advertising

The invitation to bid for each contract for goods estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Technical services consisting of reproduction of informational materials under Part A of the Project estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Direct Contracting

Goods, including software licenses and software upgrades, which are of a proprietary nature and costing \$2,000,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts or any requests for price quotations, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and technical services shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods and technical services to be procured in accordance with the procedures referred to in Part B of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to: (i) the first two (2) contracts for technical services to be procured in accordance with the procedures referred to in paragraph 1 of Part C above, regardless of the cost thereof; (ii) first two (2) contracts for goods to be procured in accordance with each of the procedures referred to in paragraphs 2 and 3 of Part C above, regardless of the cost thereof; and (iii) each contract for goods to be procured in accordance with the procedures referred to in paragraph 4 of Part C above, regardless of the cost thereof, the following procedures shall apply:

- (i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under direct contracting or shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2 (f), 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services and training shall be procured in accordance with: (i) the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto; and (ii) the following provisions of this Section.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services and training shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for the organization of training courses and study tours and for audits under Part F of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for technical assistance and training estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services which qualify under any of the criterion set forth in the provisions of paragraph 3.9 of the Guidelines, up to an aggregate amount not to exceed \$200,000 equivalent, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services of individual consultants for: (i) tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines; and (ii) tasks that meet the requirements set forth in paragraph 5.4

of the Consultant Guidelines may be selected on a sole-source basis in accordance with the provisions of paragraphs 5.3 and 5.4 of the Consultant Guidelines, subject to prior approval of the Bank.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Bank, for its review and approval, prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every six (6) months during the execution of the Project, and each such updating shall be furnished to the Bank for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Bank.

2. Prior Review

(a) With respect to: (i) each contract for the employment of consulting firms and training estimated to cost the equivalent of \$100,000 or more; (ii) first two (2) contracts for the employment of consulting firms to be selected in accordance with each of the procedures referred to in paragraphs 1 and 2 of Part C above, regardless of the cost thereof; (iii) each contract for the employment of consulting firms to be selected in accordance with the procedures referred to in paragraph 3 of Part C above, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to: (i) each contract for the employment of individual consultants to be selected on a sole source basis or estimated to cost the equivalent of \$25,000 or more; and (ii) first two (2) contracts for the employment of individual consultants to be selected in accordance with the procedures referred to in paragraph 4 of Part C above, regardless of the cost thereof, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience and the terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply; provided, however, that prior review and approval by the Bank shall still apply to the terms of reference for such contracts.

SCHEDULE 5

Implementation Program

Section I. Institutional Arrangements

1. The Inter-Agency Working Group

The Borrower, through the SSCU, shall maintain the Inter-Agency Working Group (IWG) throughout Project implementation under terms of reference satisfactory to the Bank and with human, financial and technical resources adequate to enable it to effectively coordinate and manage each Part of the Project with each of the MOEIE, the MOF and the NBU. To that end, the IWG shall be chaired by the head of the SSCU and its composition shall include two (2) representatives with status of Deputy Minister/Chairman, and the head of the respective structural unit, from each of the MOEIE, the MOF, the SSCU, and the NBU. The IWG may also comprise representatives of other interested ministries and agencies. More specifically, the responsibilities vested on the IWG shall include action planning, monitoring of allocation and use of Loan proceeds.

2. Project Implementation Unit

The Borrower shall maintain throughout the Project implementation the Project Implementation Unit under terms of reference and with resources and a composition satisfactory to the Bank for the purposes of the day-to-day management of the Project. The said Unit shall be headed by its manager, who shall report directly to SSCU official responsible for general Project management. The composition of the PIU shall include, *inter alia*, one (1) financial management, one (1) accountant, one (1) procurement specialist, and one (1) ICT procurement specialist. The PIU shall be responsible, *inter alia*, for daily Project management, preparation of documents for procurement of goods and technical services and for selection and employment of consultants' services and preparation of the reports referred to in paragraph 4 of Section II of this Schedule. Composition and authorities of PIU shall be defined in Operations Manual.

Section II. Implementation Arrangements

1. Annual Work Program

The Borrower, through the SCSU, shall: (i) prepare and submit for the Bank's comments and approval, not later than October 1 of each Fiscal Year, a draft annual work program for the following Fiscal Year including, *inter alia*, a detailed description of planned activities for procurement of goods and technical services and selection and

employment of consultants' services and sources and uses of funds; and (ii) adopt and carry out the annual work program in the form and substance approved by the Bank.

2. Operations Manual

The Borrower, through the SSCU, shall take all action required to ensure that the Operations Manual is applied and followed at all times in the implementation, monitoring and evaluation of the Project, and, except as the Bank shall otherwise agree, the Borrower shall ensure that the SSCU do not assign, amend, abrogate or waive the Operations Manual or any provision thereof.

3. Study Tours and Training for Thematic Areas under Part F of the Project

For the purposes of the study tours and the training for thematic areas to be provided under Part F of the Project, the Borrower shall:

(a) furnish to the Bank for its approval every six (6) months, the content of each such study tours and training, including an explanation on how such study tours and training is consistent and conducive to the objectives of the Project and whether it offers the best price/quality ratio, as well as the schedule for its implementation;

(b) select the participants and trainees in accordance with a transparent process and criteria satisfactory to the Bank;

(c) not later than December 1 of each year, exchange views with the Bank on the study tours and training to be carried out during the following calendar year; and

(d) furnish to the Bank a report of such scope and detail as the Bank shall reasonably request, on the results of each study tours and training and the benefits to be derived therefrom.

4. Progress Reports

Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower, with the assistance of the PIU, commencing on October 1, 2004 and thereafter, not later than January 1, April 1, July 1 and October 1 in each calendar year and until Project completion, shall prepare and furnish to the Bank a consolidated progress report, of such scope and in such detail as the Bank shall reasonably request, describing, in accordance with the Monitoring and Evaluation Indicators, the progress achieved in the implementation of the Project during the preceding quarter/semester of the calendar year.

5. Mid-Term Review

The Borrower, through the SSCU, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring and Evaluation Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about October 1, 2006, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by December 1, 2006, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, technical services and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means an amount of \$2,300,000 to be withdrawn from the Loan Account and deposited into the Special Account; pursuant to paragraph 3 (a) of this Schedule; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$800,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$2,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

- (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

- (b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

- (c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for the Special Account, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.