

OFFICIAL DOCUMENTS

August 24, 2016

H.E. Oleksandr Danyliuk
Minister
Ministry of Finance of Ukraine
12\2 Grushevskogo
Kyiv 01008
Ukraine

Re: IBRD Loan No. 8391-UA
(Second Urban Infrastructure Project)
First Amendment to the IBRD Loan Agreement

Excellency:

We refer to following agreements signed by the following parties in relation to the above referenced Project:

- (a) Loan Agreement between Ukraine (“Borrower”) and the International Bank for Reconstruction and Development (“Bank”) dated May 26, 2014 (“IBRD Loan Agreement”);
- (b) Loan Agreement between the Bank, acting as an implementing entity of the Clean Technology Fund and the Borrower dated May 26, 2014 (“CTF Loan Agreement”);
- (c) Project Agreement dated October 21, 2014, signed between the Bank and Utility Company “Ivano-Frankivskvodocotekhprom” (“Ivano-Frankivskv UC”) (“Ivano-Frankivskv Project Agreement”):

We also refer to the letter No. 31-12230-02-15\39320 dated December 25, 2015 from I. Umansky, Acting Minister of Finance of Ukraine requesting:

- (a) removal of “Ivano-Frankivskv UC” and “Donetsk UC” as Utility Companies/Project Implementing Entities;
- (b) addition of: (a) Communal Enterprise “VinnytsiaOblodokanal” (“Vinnytisa UC”); (b) Communal Enterprise “Chuguivvoda” (“Chuguiv UC”); and (c) The company “Novovolynskvadokanal” Housing and communal union of Novovolynsk City Council (“Novovolynsk UC”) as Utility Companies/Project Implementing Entities;
- (c) allocation to “Kolomiya UC” of an amount of US\$3,092,250 from the Loan proceeds;
- (d) reallocation of Loan proceeds that will result in increased Loan allocations for: (a) “Kharkiv UC”; (b) “Zhytomyr UC”; and (c) “Kirovohrad UC”;
- (e) extension of the period for the submission of “Utilities Performance Improvement”(UPI) study; from eighteen (18) months to forty (40) months from the project effective date;
- (f) replacement of the “Central Project Management Unit” decree 343-1 dated November 14, 2008 and Decree 483 dated March 10, 2013” with Decree “305 dated November 2014”.

LN 8391-UA

We are pleased to inform you that the Bank hereby agrees to your request. Consequently, (a) the IBRD and the Borrower will sign a First Amendment Letter for the CTF Loan Agreement; (b) the IBRD and Ivano-Frankivskv UC will sign the Termination of the Ivano-Frankivskv Project Agreement; and (c) IBRD Loan Agreement and related Supplemental Letter No. 2 (IBRD) are hereby amended as follows:

1. Paragraph 2 of Section IV.A of Schedule 2 is amended to read as follows:

“The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consultants’ services for Part 1 of the Project to be implemented by:		
(a) Donetsk UC (<i>deleted per August 2016 amendment</i>)		
(b) Kharkiv UC	69,727,625	81.50%
(c) Kharkiv Waste Management UC	35,755,000	
(d) Kyiv UC	9,264,000	
(e) Kirovohrad UC	36,097,884	
(f) Ternopil UC	29,815,000	
(g) Zhytomyr UC	32,507,625	
(h) Vinnytsia UC	39,473,116	
(2) Goods, works, non-consulting services, and consultants’ services for Part 1 of the Project to be implemented by:		100%
(a) Kramatorsk UC	5,236,000	
(b) Kolomiya UC	3,092,250	
(c) Ivano-Frankivsk UC (<i>deleted per August 2016 amendment</i>)		
(d) Cherkasy UC	12,309,000	
(e) Novovolynsk UC	5,985,000	
(f) Chuguiv UC	4,987,500	
(3) Goods, works, non-consulting services, and consultants’ services for Parts 2 and 3 of the Project	15,000,000	100%

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(4) Front-end Fee	750,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(5) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.07(c) of this Agreement
(6) Unallocated	0	
TOTAL AMOUNT	<u>300,000,000</u>	

2. Paragraph 1 of Section IV.C of Schedule 2 is amended to read as follows:

“1. With respect to Part 2 of the Project, the Borrower, through Minregion, shall: (a) within forty (40) months from the Effective Date furnish to the Bank for comments a draft “Utilities Performance Improvement” (UPI) study, prepared in accordance with terms of reference acceptable to the Bank, including analysis of the applicable legal and regulatory framework and the financial and operation constraints in the sector per utility and proposed solutions; and (b) thereafter, finalize and implement recommendations of said study, taking into account the Bank’s comments thereon.”

3. Paragraph 4 of the Appendix is amended to read as follows:

““CPMU” means the Central Project Management Unit within Minregion, established pursuant to Decree 305 dated November 11, 2014, and referred to in Section 1.A.1 of Schedule 2 to this Agreement.”

4. Attachment 1 of the Appendix to the IBRD Loan Agreement is amended to read as set forth in Annex 1 to this Amendment Letter.
5. With reference to the provisions of: (A) paragraph A.1 of Schedule 2 to the IBRD Loan Agreement, the performance monitoring indicators for the Project set out in Supplemental Letter No. 2 (IBRD) dated May 26, 2014 and signed by the Bank and the Borrower are hereby amended to read as set forth in Annex 2 to this Amendment Letter.

Except as specifically amended in this letter, all other provisions of the IBRD Loan Agreement remain in full force and effect.

Please confirm the agreement of the Borrower to the amendments set out in paragraphs 1 through 5 above by countersigning and dating the confirmation set forth below, and returning one fully signed original of this letter of amendment to us. One fully signed original should be retained by the Borrower. Upon receipt by the Bank of: (a) the copy of this letter of amendment duly countersigned by the authorized representative of the Borrower; (b) the First Amendment for the CTF Loan Agreement duly countersigned by the authorized representative of the Borrower; and (c) the Termination of Ivano-Frankivskv UC Project Agreement duly signed by the authorized representative of Ivano-Frankivskv UC, this amendment letter shall become effective as of the date of countersignature of this letter by the Borrower.

Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By  _____

Satu J. Kahkonen
Country Director
Belarus, Moldova and Ukraine
Europe and Central Asia Region

AGREED:

UKRAINE ✓ 

By: Yuriy Butsa

Name: Deputy Minister of finance
Title: of Ukraine for european integration
Date: 06.09.2016

Amendment to Attachment 1 to Appendix

Column 1	Column 2	Column 3	Column 4
Name of Municipality/City	Acronym of Utility Company	Full Name of Utility Company	Utility Company is established and operating pursuant to its Charter and Identification Number (also defined as Project Implementing Entity's Legislation) as follows:
1. Kharkiv	Kharkiv UC	Utility Company "Kharkivvodokanal"	Charter approved by Decision of Kharkiv City Council No. 66 dated January 25, 2012 with Identification No. 0336171.
	Kharkiv Waste Management UC	Utility Company "Kharkiv Municipal company for Waste Management"	Charter approved by Deputy Director of Economics and Municipal Property Department, Head of Municipal Property and Privatization Department of Kharkiv City Council and registered on April 3, 2009, with Identification No. 30990215.
2. Kramatorsk	Kramatorsk UC	Utility Production Company "Kramatorskyi Vodokanal"	Charter approved by Order of Head of Housing and Municipal Economy Department of Kramatorsk City Council No. 110 dated August 29, 2013 with Identification No. 05524251.
3. Kirovohrad	Kirovohrad UC	Regional Utility Production Company "Dnipro-Kirovohrad"	Charter approved by Decree of Head of Kirovohrad Oblast Council No. 50-rp dated February 24, 2012 with Identification No. 03346822.
4. Kolomyia	Kolomyia UC	Utility Company "Kolomyiavodokanal"	Charter approved by Decision of Kolomyia City Council No.372-6 dated May 31, 2011 with Identification No. 32148690.
5. Kyiv	Kyiv UC	Public Joint Stock Company "JSC "Kyivvodokanal"	Articles of Association approved by Protocol of General Shareholders' Meeting No. 1/11 dated April 28, 2011 with Identification No. 03327664.

Column 1	Column 2	Column 3	Column 4
Name of Municipality/City	Acronym of Utility Company	Full Name of Utility Company	Utility Company is established and operating pursuant to its Charter and Identification Number (also defined as Project Implementing Entity's Legislation) as follows:
6. Ternopil	Ternopil UC	Utility Company "Ternopilvodokanal"	Charter approved by Decision of Ternopil City Council No. 5/26/19 dated April 30, 2009 with Identification No. 03353845.
7. Zhytomyr	Zhytomyr UC	Utility Company "Zhytomyrvodokanal"	Charter approved by Decision of Zhytomyr City Council No. 441 dated August 30, 2012 with Identification No. 03344065.
8. Cherkasy	Cherkasy UC	Communal Enterprise "Cherkasyvodokanal"	Charter approved by Decision of Cherkasy City Council No. 2-31 dated December 16, 2010 with Identification No. 03357168.
9. Chuguiv	Chuguiv UC	Communal Enterprise "Chuguivvoda	Charter approved by Decision of Chuguiv City Council № 2508-V dated August 8, 2009 with Identification № 36555336
10. Novovolynsk	Novovolynsk UC	The company "Novovolynskvodokanal" Housing and communal union of Novovolynsk City Council	Charter approved by the Order of Novovolynsk City Mayor № 108-P dated April 3, 2006 with Identification № 13353837
11. Vinnytsia	Vinnytsia UC	Communal Enterprise "VinnytsiaOblodokanal"	Charter approved by Decision of Vinnytsia City Council № 2341 dated October 10, 2015 with Identification № 03339012

Revised Performance Monitoring Indicators

Project Development Objectives									
Original Project Development Objective:									
The project development objective (PDO) is to improve the quality and efficiency of water, wastewater, and solid waste services in selected cities in Ukraine.									
Results									
Core sector indicators are considered: Yes					Results reporting level: Project Level				
Project Development Objective Indicators									
Status	Indicator Name	Core	Unit of Measure	Value	Baseline	Actual(Current)	End Target		
No Change	Tons of GHG emissions reduced or avoided		Tones/year	Value	0.00		475392.00		
				Date	22-May-2014		31-Oct-2020		
				Comment			CTF Indicator		
No Change	Energy efficiency as measured by amount of energy used per m3 of wastewater treated in utilities participating in the project (kWh per m3 of waste water treated)		Cubic Meter(m3)	Value	0.90		0.60		
				Date	22-May-2014		31-Oct-2020		
				Comment			Efficiency of services - wastewater.		
No Change	Operating Cost Coverage Ratio: Kramatorsk		Percentage	Value	0.74		0.85		
				Date	22-May-2014		31-Oct-2020		
				Comment			Efficiency of services - water, wastewater and solid waste		
No Change			Cubic Meter(m3)	Value	0.60		0.40		

	Energy efficiency as measured by amount of energy used per m3 of water produced in utilities participating in the project (kWh per m3 of water treated)								31-Oct-2020	Efficiency of services - water supply. End target TBC
No Change	Operating Cost Coverage Ratio: Ternopil	Percentage	Value	0.92	22-May-2014				31-Oct-2020	0.97
			Date	22-May-2014						
			Comment							Efficiency of services - water, wastewater and solid waste
No Change	Operating Cost Coverage Ratio: Kirovograd	Percentage	Value	0.67	22-May-2014				31-Oct-2020	0.77
			Date	22-May-2014						
			Comment							Efficiency of services - water, wastewater and solid waste
No Change	Operating Cost Coverage Ratio: Kharkiv MC	Percentage	Value	1.18	22-May-2014				31-Oct-2020	1.20
			Date	22-May-2014						
			Comment							Efficiency of services - water, wastewater and solid waste
No Change	Operating Cost Coverage Ratio: Zhytomyr	Percentage	Value	0.78	22-May-2014				31-Oct-2020	0.95
			Date	22-May-2014						
			Comment							Efficiency of services - water, wastewater and solid waste

No Change	Operating Cost Coverage Ratio: Kharkiv VK		Percentage	Value	0.76				wastewater and solid waste
				Date	22-May-2014				0.86
				Comment					31-Oct-2020
No Change	Volume(mass) of BOD pollution load removed by treatment plant under the project	X	Tones/year	Value	15285.00				Efficiency of services - water, wastewater and solid waste
				Date	22-May-2014				18485.00
				Comment					31-Oct-2020
No Change	Industrial or municipal solid waste reduced or recycled under the project	X	Tones/year	Value	0.00				Quality of services - waste water
				Date	22-May-2014				40000.00
				Comment					31-Oct-2020
									Quality of services - solid waste
Intermediate Results Indicators									
Status	Indicator Name	Core	Unit of Measure		Baseline		Actual(Current)		End Target
No Change	Electricity Generation (GWh/yr)		Gigawatt-hour (GWh)	Value					210.00
				Date	22-May-2014				31-Oct-2020
				Comment					
No Change	Energy savings (GWh/yr)		Gigawatt-hour (GWh)	Value	0.00				470.00
				Date	22-May-2014				31-Oct-2020

No Change	Customers in project areas reporting improved water supply services, as measured through scorecards (rating 1-5)		Percentage	Comment	0.00	20.00	31-Oct-2020
				Date	22-May-2014		
				Comment	TBD in the first year		
No Change	Prepare new design standards for water supply and wastewater		Yes/No	Value	No	Yes	31-Oct-2020
				Date	22-May-2014		
				Comment		Component 2 indicator	
No Change	Utility companies using benchmarking systems		Number	Value	0.00	7.00	31-Oct-2020
				Date	22-May-2014		
				Comment		Component 2 indicator	
No Change	Number of utility companies implementing recommendations of Utility Performance Improvement Plan		Number	Value	0.00	7.00	31-Oct-2020
				Date	22-May-2014		
				Comment		Component 2 indicator	
Revised	Number of water utilities that the project is supporting	X	Number	Value	0.00	10.00	31-Oct-2020
				Date	22-May-2014		
				Comment		Component 2 indicator	
	Number of water utilities that the project is supporting	X	Number	Value	0.00	10.00	31-Oct-2020
				Date	22-May-2014		
				Comment		Component 2 indicator	
Revised			Metric ton	Value	0.00	40000.00	

	Industrial and municipal waste disposal capacity created under the project	X		Date	22-May-2014		31-Oct-2020
	Industrial and municipal waste disposal capacity created under the project	X	Metric ton	Comment			(Kharkiv)
				Value	0.00		400000.00
				Date	22-May-2014		31-Oct-2020
				Comment			(Kharkiv)
No Change	Piped household water connections that are benefiting from rehabilitation works undertaken by the project	X	Number	Value	0.00		555000.00
				Date	22-May-2014		31-Oct-2020
				Comment			
Revised	Direct project beneficiaries	X	Number	Value	0.00		4.30
				Date	22-May-2014		31-Oct-2020
				Comment	In million	In million	In million
				Value	0.00		4.30
				Date	22-May-2014		31-Oct-2020
				Comment	In million	In million	In million
No Change	Female beneficiaries	X	Percentage	Value	0.00		50.00
			Sub Type				
			Supplemental				