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CREDIT NUMBER 6502-UZ

**OFFICIAL  
DOCUMENTS**

**Financing Agreement**

**(Prosperous Villages Project)**

**between**

**REPUBLIC OF UZBEKISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between REPUBLIC OF UZBEKISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 — FINANCING**

- 2.01. The Association agrees to extend to the Recipient a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of one hundred million Dollars (\$100,000,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.
- 2.05. The Interest Charge is the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.

- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MoEI in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

### **ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
  - (b) The MoEI has adopted the POM in a form and substance satisfactory to the Association.
  - (c) The MoEI has selected PIU core staff, including, the Project Director, a procurement specialist, a financial management specialist, a head engineering specialist, an environmental safeguards specialist, a social safeguards specialist, an MIS specialist, and a community mobilization specialist.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is its Minister of Finance.
- 5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Ministry of Finance  
Istiqlol Street 29  
Tashkent 100017  
Republic of Uzbekistan; and

- (b) the Recipient's Electronic Address is:

Telex:	Facsimile:	E-mail
1 6360 IK BOL	(998-71) 239-1569 (998-71) 239-1259	invest@mf.uz

- 5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America; and

- (b) the Association's Electronic Address is:

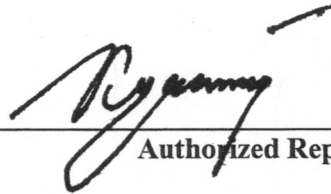
Telex:	Facsimile:
248423 (MCI)	1-202-477-6391



AGREED as of the Signature Date.

**REPUBLIC OF UZBEKISTAN**

By



Authorized Representative

**Name:** Mr. Kuchkarov,

**Title:** Deputy Prime Minister, Minister  
of Finance and World Bank Group  
Governor

**Date:** January 17, 2020

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By



Authorized Representative

**Name:** Cyril E Muller

**Title:** Regional Vice President  
Europe and Central Asia

**Date:** January 17, 2020

## SCHEDULE 1

### Project Description

The objectives of the Project are: to (i) improve the quality of basic infrastructure and (ii) strengthen participatory local governance processes in Selected *Qishloqs*.

The Project consists of the following parts:

#### **Part 1. Demand-driven investments in basic infrastructure and services and local governance capacity support**

##### **1. Demand-driven investments in basic infrastructure and services**

Provision of support for Subproject investments in the Selected *Qishloqs* to address basic infrastructure and services needs, through:

- (a) the carrying out of the following activities, without being limited to:
  - (i) rehabilitation of existing rural drinking water supply and sanitation systems to expand access through innovative, alternative models for rural drinking water supply and sanitation service delivery;
  - (ii) retrofitting of public buildings for energy efficiency;
  - (iii) rehabilitation of social infrastructure;
  - (iv) rehabilitation of tertiary roads, walkways, and footpaths;
  - (v) road drainage and strengthening the flood resilience of rural roads;
  - (vi) bridge rehabilitation and construction (up to 10 meters long);
  - (vii) street lighting upgrading;
  - (viii) improvements to public spaces;
  - (ix) solid waste management systems;
  - (x) small-scale construction of public facilities;
  - (xi) installation of antennas to provide wireless internet services;
  - (xii) construction and rehabilitation of bus terminals and stops; and
  - (xiii) energy supply activities.
- (b) provision of technical assistance for the technical design associated with the respective Subprojects.

##### **2. Communications and community outreach, citizen engagement, local governance capacity building**

Provision of support through technical assistance, training and capacity building activities for MPCs and DPCs in the following areas, but not limited to:

- (a) Participatory implementation cycle, including, *inter alia*: (i) communications and outreach on Project objectives, rules, and grievance redress systems, including to women and vulnerable groups; (ii) participatory needs assessment in the Selected *Qishloqs*; (iii) participatory development planning, prioritization, and selection of Subprojects investments in the form of a *Qishloq* Development Plan; and (iv) participatory O&M;
- (b) Participatory monitoring and oversight, including *inter alia*, citizen engagement in: (i) subproject monitoring by trained members of MPCs; and (ii) social audits; and
- (c) Technical assistance for Subprojects design and sustainability, including *inter alia*: (i) basic engineering support to allow for initial environmental and social screening and preliminary subproject design estimates; and (ii) support to design and implement autonomous water supply and sanitation systems, including the establishment of a community drinking water organization responsible for operation and maintenance.

## **Part 2. Project management, monitoring and evaluation, and capacity building**

Provision of support for: (a) Project management activities, including overall coordination and supervision of Project implementation, communications and public outreach, Project audits, and financing of Incremental Operating Costs; (b) Project monitoring and evaluation (M&E) activities, transparency, and citizen feedback; (c) managing a beneficiary feedback mechanism (BFM), including a grievance redress mechanism; and (d) capacity building for regional governments (*hokimiyats*) for improved procurement, social and environmental safeguards practices, and quality of infrastructure designs.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

1. The Recipient, through MoEI, shall be responsible for overall Project implementation, and shall maintain, throughout the Project implementation, the following institutional arrangements:
  - (i) The MoEI shall (a) maintain the PIU, and (b) establish, not later than forty-five (45) days after Effective Date, PIU regional working teams for each Project Regions, all with a structure, functions and responsibilities and adequate staff, all as further described in the POM and acceptable to the Association, for the purposes of day-to-day Project management, monitoring, evaluation and supervision. The PIU regional working teams shall include, *inter alia*, two procurement specialists covering all Project Regions, two financial management specialists covering all Project Regions, two technical supervision specialists for each region, and one environmental and social safeguards specialist for each region;
  - (ii) At a district level, the MoEI shall establish, not later than forty-five (45) days after the Effective Date, and thereafter maintain, throughout the Project implementation, DPCs in each district (*hokim*) to support the Project implementation, with a structure, functions and responsibilities, all as further described in the POM;
  - (iii) At the qishloq level, the MoEI, shall maintain, throughout the Project implementation, the MCAs and MPCs to support the Project implementation, with a structure, functions and responsibilities, all as further described in the POM.
2. For purposes of carrying out activities under Part 1 of the Project, the MoEI shall ensure provision of technical support to MCAs and MPCs, through Facilitation Teams, as set forth in this Agreement and the POM.
3. The MoEI shall: (a) adopt the POM, satisfactory to the Association, and thereafter carry out the Project in accordance with the provisions set out in the POM; and (b) not amend, suspend, abrogate, repeal or waive any provision of said POM without the prior written approval of the Association, provided, however, that in case of any conflict between the provisions set out in the POM and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. Not later than ninety (90) days after the Effective Date, the MoEI shall acquire, install and thereafter maintain until completion of the Project, the accounting system with features and functions set forth in the POM and satisfactory to the Association.

**B. Subprojects**

1. For purposes of carrying out Part 1(a) of the Project and prior to the carrying out of any Subprojects, in the territory of any Project Region, the Recipient, through MoEI shall: (i) ensure that each of the Selected *Qishloqs* has adopted the *Qishloq* Development Plan in accordance with the provisions set forth in the POM; and (ii) enter into agreements with each regional UCS, under terms and conditions satisfactory to the Association ("Cooperation Agreements") to make the necessary administrative arrangements with said UCS to ensure the USC's support to the implementation of said Subprojects.
2. In case of any conflict among the terms of any of the Cooperation Agreements and this Agreement, the provisions of this Agreement shall prevail.

**C. Safeguards**

1. The MoEI shall ensure that the Project is carried out with due regard to appropriate health, safety, social, and environmental standards and practices, and in accordance with the Safeguards Instruments.
2. The MoEI shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to comply with the relevant aspects of Safeguard Instruments, all as applicable to such civil works commissioned or carried out pursuant to said contracts.
3. The MoEI shall ensure that the Project does not include any activities and expenditures on the negative list set forth in the ESMF.
4. Except as the Association shall otherwise agree, the MoEI shall ensure that none of the provisions of the Safeguard Instruments is abrogated, amended, repealed, suspended or waived. In case of any inconsistencies between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.
5. The MoEI shall maintain, throughout Project implementation, and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.

**Section II. Project Monitoring, Reporting and Evaluation**

The Recipient shall furnish to the Association each Project Report not later than one (1) month after the end of each calendar semester, covering the calendar semester.

**Section III. Withdrawal of the Proceeds of the Financing**

**A. General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (exclusive of Taxes other than Withheld Taxes)</b>
(1) Goods, works, non-consulting services, and consulting services under Part 1 (a) of the Project	82,000,000	50%
(2) Goods, works, non-consulting services, consulting services (except Part 1 (a)), Incremental Operating Costs and Training for the Project	18,000,000	100%
<b>TOTAL AMOUNT</b>	<b>100,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$1,800,000 may be made for payments made prior to this date but on or after November 1, 2019, for Eligible Expenditures under Category (2).
2. The Closing Date is December 31, 2024.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each May 15 and November 15:	
commencing November 15, 2024 to and including May 15, 2044	1.65%
commencing November 15, 2044 to and including May 15, 2049	3.40%

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.

## APPENDIX

### Definitions

1. "Affected Person" means a person or entity who, on account of the execution of the Project and/or Subprojects, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and, "Affected Persons", means more than one such Affected Person.
2. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
3. Basis Adjustment to the Interest Charge" means the Association's standard basis adjustment to the Interest Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.
4. "Basis Adjustment to the Service Charge" means the Association's standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.
5. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. "Co-financier" means Asian Infrastructure Investment Bank.
7. "Co-financing" means, for purposes of paragraph 14 of the Appendix to the General Conditions, an amount of eighty two million Dollars (\$82,000,000), to be provided by the Co-financier to assist in financing the Project.
8. "Co-financing Agreement" means the agreement between the Recipient and the Co-financier providing for the Co-financing.



9. "Cooperation Agreements" means any of the agreement to be entered into between the Recipient through MoEI, and each of the UCSs, referred to in Section I.B.2 of Schedule 2 to this Agreement, setting out the services the UCS will provide to the Project, including technical design and supervision, procurement and financial management, the staffing that will be dedicated/tasked, as further detailed in the POM.
10. "DPC" or "District Project Committee" means any of the committees referred to in Section I.A.1 (ii) chaired by the district *hokim* that is responsible for facilitating the work of PIU, Facilitation Teams, and MPCs by providing access to data, communications and outreach support to MCA chairs and *qishloq* residents, and other tasks as stipulated in the POM; and "DPCs" means the plural thereof.
11. "Environmental and Social Management Framework" or "ESMF" means the framework prepared and adopted by the Recipient, satisfactory to the Association, dated August 21, 2019, disclosed in-country, and the Association's website on September 5, 2019, setting out the principles, rules, guidelines and procedures to screen and assess the potential adverse environmental and social risks and impacts (including health and safety issues) of Project activities, adopt measures to avoid, reduce, mitigate or offset environmental and social adverse risks and impacts, procedural, budget and institutional arrangements and actions needed to implement these measures, and information on the agency or agencies responsible for addressing the Projects' risks and impacts; as well as for the preparation of environmental and social management plans, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.
12. "Facilitation Team" means any of the teams referred to in Section I.A.2 in Schedule 2 to this Agreement each consisting of two *Qishloq* Facilitators (one man and one woman) and one *Qishloq* Engineer responsible for a maximum of six *qishloqs*; and "Facilitation Teams" means the plural thereof.
13. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated December 14, 2018.
14. "Incremental Operating Costs" means incremental operating expenditures incurred by the PIU, on account of activities related to the management, monitoring, evaluation, coordination and implementation of the Project, including office equipment maintenance and repair, vehicles, local travel, communication, translation and interpretation, bank charges, consulting services, salaries of staff for the PIU and other costs of similar nature directly associated with the Project, all based on periodic budgets acceptable to the Association.

15. "Mahalla" means a Recipient's territorial self-government organization as per Article 105 of Uzbekistan's Constitution.
16. "MCA" means the Recipient's Mahalla Citizens Assembly, Recipient's territorial self-government organizations; "MCAs" means the plural thereof, or any legal successor thereto acceptable to the Association.
17. "MIS" means Management Information System.
18. "MPC" means the MCA Project Committee; "MPCs" means the plural thereof, or any legal successor thereto acceptable to the Association.
19. "MoEI" means the Ministry of Economy and Industry of the Recipient, or any legal successor thereto, acceptable to the Association.
20. "O&M" means operations and maintenance.
21. "Project Regions" means, collectively, the Namangan, Ferghana, Andijon, Jizzakh and Sirdarya regions within the Recipient's territory, and any other region as agreed between the Recipient and the Association based on the eligibility criteria set forth in this Agreement and the POM; "Project Region" means any of such Project Regions.
22. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017 and August 2018.
23. "Project Implementing Unit" or "PIU" means the project implementation unit referred to in Section I.A.1 of Schedule 2 to this Agreement, or any legal successor thereto acceptable to the Association.
24. "Project Operations Manual" or "POM" means the project operational manual referred to in Section I.A.2 of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Association, setting out, *inter alia*: (a) the institutional, operational, and administrative Project responsibilities; (b) disbursement, procurement, and financial management requirements; (c) the rules and procedures for selecting *qishloqs* to participate in the Project, implementing the participatory implementation cycle, including the production and approval of *Qishloq* Development Plans (hereinafter defined) and participatory monitoring, and procurement and financial management; (d) the main rights and obligations of the parties to the Cooperation Agreements (hereinafter defined).
25. "*Qishloq*" means an administrative territorial unit of a village within the Recipient's territory; *qishloqs* means the plural thereof.

26. “*Qishloq* Development Plan” means a document produced in each Selected *Qishloq* that summarizes the results of the participatory community analysis of local needs, lists five to ten development priorities to address these needs, and identifies the development priorities that will be addressed through Subprojects. The said plan shall be approved in a community-wide meeting, and updated at least once during the participatory Project cycle.
27. “*Qishloq* Engineer” means a technical specialist mobilized under Part 1(b) of the Project responsible for providing technical assistance to MPCs on Subproject design options, costs, potential social and environmental impacts, procurement, technical oversight, and other topics as defined in the POM.
28. “*Qishloq* Facilitator” means a community mobilization specialist mobilized under Part 1(b) of the Project responsible for providing technical assistance to MPCs to implement the Project’s participatory implementation cycle, which includes community mobilization, MPC elections, production of a *Qishloq* Development Plan, and participatory monitoring and oversight, and other tasks as defined in the POM.
29. “Resettlement Policy Framework” or “RPF” means the framework prepared and adopted by the Recipient on August 21, 2019, satisfactory to the Association, and disclosed on the Association’s website on September 5, 2019, which sets out the resettlement principles, guidelines, organizational arrangements (including consultation and budget), and design criteria for the preparation of RAPs under the Project and Subproject, as such framework may be amended from time to time with the prior written agreement of the Association.
30. “Safeguard Instruments” means collectively, the ESIA, ESMF, ESMP, Subproject ESIA, Subproject ESMP, Resettlement Policy Framework, Resettlement Action Plan, Subproject RAP, and “Safeguard Instrument” means any of such Safeguards Instruments.
31. “Safeguard Policies” means, the Operational Policies (Ops) and Bank Procedures (BPs) of the Bank, namely OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams); they can be found at <https://policies.worldbank.org>.
32. “Selected *Qishloq*” means any *qishloq* (village), within the Project Regions, eligible for investments in Subprojects, selected by the Recipient in consultation with, and upon approval by, the Association, and in accordance with the eligibility and selection criteria described in the POM.

33. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
34. "Subproject Environmental and Social Impact Assessment" or "Subproject ESIA" means (i) any environmental and social impact assessment to be prepared for civil works to be carried out under a Subproject; and (ii) any site-specific environmental and social impact assessment to be prepared pursuant to the ESMF for a Subproject in each case describing a set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Subproject to avoid, minimize and mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts; as said environmental impact and social assessments (a) are satisfactory to the Association, (b) have been published by the Recipient, (c) have been published on the Association's website, and (d) may be amended and/or supplemented from time to time with the prior written agreement of the Association. "Subproject ESIA's" means, collectively, all such ESIA's.
35. "Subproject Environmental and Social Management Plan" or "Subproject ESMP" means the instrument to be prepared for a Subproject in accordance with the procedures and requirements under the ESMF, satisfactory to the Association, which details (a) the measures to be taken during the implementation and operation of the Subproject to avoid, minimize, mitigate or offset adverse environmental and social impacts (including health and safety issues), or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, as said instrument may be amended from time to time with the Association's prior written agreement; and "Subproject ESMP's" means, collectively, all such ESMP's.
36. "Subproject Resettlement Action Plan" or "Subproject RAP" means the instrument to be prepared for a Subproject in accordance with the procedures and requirements of the Resettlement Policy Framework, which includes the principles, procedures, organizational arrangements and budget to implement the resettlement related activities under the Subproject, as said resettlement action plan may be revised from time to time with the prior written agreement of the Association, and "Subproject RAP's" means, collectively, all such RAP's.
37. "Subproject" means an activity or series of activities carried out or to be carried out by the PIU and/or UCS for the benefit of a Selected *Qishloq*, under Part 1 (a) of the Project, selected pursuant to criteria (including but not limited to environmental and social screening), and eligibility requirements set forth in the POM, and subject to Subproject ESMP and/or Subproject RAP, if required by the ESMF and/or RAF, as the said Subproject is identified and appraised during the implementation of the Project and proposed to be financed under the Project; "Subprojects" means the plural thereof.

38. "Training" means expenditures in connection with the Project related study tours, training courses, seminars, workshops and other training activities, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs, as approved by the Association.
39. "UCS" means the Recipient's Unified Customer Services Engineering Company established pursuant to the Recipient's Cabinet of Minister Resolution No. 395 dated September 12, 2003 referred to in Section I.B.1 in Schedule 2 to this Agreement; and "UCSs" means the plural thereof.
40. "Withheld Taxes" means the following taxes withheld at source: taxes for social charges; income taxes for residents and non-residents; and custom registrations duties withheld at the source.