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**CREDIT NUMBER 4869-UZ**

# **Financing Agreement**

**(Syrdarya Water Supply Project)**

**between**

**REPUBLIC OF UZBEKISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated September 16, 2011**

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**CREDIT NUMBER 4869-UZ**

**FINANCING AGREEMENT**

AGREEMENT dated September 16, 2011, entered into 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) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II - FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fifty seven million two hundred thousand Special Drawing Rights (SDR 57,200,000) (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 IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is Dollars.

### **ARTICLE III - PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

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

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
  - (b) The Subsidiary Agreement has been amended, suspended, abrogated, repealed or waived without the Association's prior consent.
  - (c) The Project Operations Manual has been amended, suspended, abrogated, repealed or waived without the Association's prior consent.

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

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
  - (b) The Project Operations Manual satisfactory to the Association has been adopted by the Recipient.

- 5.02. The Additional Legal Matter consists of the following: namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. For purposes of Section 8.05 (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 date of this Agreement.

**ARTICLE VI - REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Minister of Finance of the Recipient.
- 6.02. The Recipient's Address is:

Ministry of Finance  
Mustakilik Square 5  
Tashkent 100008  
Republic of Uzbekistan

Telex:	Facsimile:
11 6360 IK BOL	(998-71) 244-5643 (998-71) 239-1259

- 6.03. The Association's Address is:  
International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

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

AGREED at Tashkent, Republic of Uzbekistan as of the day and year first above written.

REPUBLIC OF UZBEKISTAN

By /s/ Rustam Azimov

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Takuya Kamata

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project to improve the availability, quality and sustainability of public water supply services in selected districts of the Syrdarya region.

The Project consists of the following parts:

#### **Part A: Improvement of Water Supply Infrastructure**

Rehabilitation and limited expansion of water supply systems, in five districts in the Syrdarya region, namely: Akaltyn, Bayaut, Mirzaobod, Sardoba and Khavast, including: (1) civil works; and (2) provision of: (a) related design and supervision services; (b) operations and maintenance equipment; (c) spare parts; (d) information systems; (e) a pilot for supervisory control and data acquisition system (SCADA); and (f) water quality laboratories, through the carrying out of works and the provision of goods and consultants' services.

#### **Part B: Institutional Strengthening and Capacity Building**

Institutional strengthening and capacity building of the Project Implementing Entity through: (1) the improvement of utility management and operational practices; (2) the preparation of an assessment of the institutional capacity of the Project Implementing Entity and a study for private sector participation; (3) the provision of local and international training on management and operations; (4) the provision of utility management equipment and software; (5) the development of communications strategies and public awareness campaigns; and (6) the preparation of customer satisfaction surveys, all through the provision of goods, consultants' services and Training.

#### **Part C: Feasibility Studies for Future Investments**

Financing of feasibility studies for future priority investments in the sewerage sector in the Syrdarya Region, through the provision of consultants' services.

#### **Part D: Project Management**

Strengthening the PCU's Project management, monitoring and coordination capacity as well as its branches in the Syrdarya region, through the provision of goods, consultants' services, including Project audit, and Training, and financing of Operating Costs.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. The Recipient shall maintain the ICC until completion of the Project with the composition and terms of reference satisfactory to the Association.
2. The Recipient shall maintain the PCU within the Uzkommunkhizmat, including representatives at the Project Implementing Entity until completion of the Project with staff, resources and terms of reference satisfactory to the Association.
3. The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with this Agreement, the Project Agreement, Subsidiary Agreement and the Project Operations Manual and shall not amend, suspend, abrogate, repeal or waive any provision of said Manual without the prior written approval of the Association.
4. (a) The Recipient shall take all necessary measures in order to maintain for the Project Implementing Entity for each fiscal year after the fiscal year ending on December 31, 2010, a ratio of total cash operating expenses to total cash operating revenues not higher than 0.90 and to enable the Project Implementing Entity to collect effectively all operating revenues related to its operations. Such measures shall include, without limitation: (i) annual adjustments of water supply and sewerage tariffs; and (ii) budgeting and paying for water supply and sewerage services that benefit its budget organizations.
  - (b) For the purposes of this paragraph:
    - (i) the term “total cash operating expenses” means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding interest and other charges on debt; and
    - (ii) the term “total cash operating revenues” means revenues from all sources related to operations.
5. (a) Except as the Association shall otherwise agree, the Recipient shall take all measures necessary to ensure that the Project Implementing Entity shall not incur any debt unless a reasonable forecast of its revenues and expenditures shows that the estimated net revenues of the Project Implementing Entity for each fiscal year during the term of the debt to be incurred shall be at least 1.2

time its estimated debt service requirements in such year on all debt of the Project Implementing Entity, including the debt to be incurred.

- (b) For the purposes of this paragraph:
- (i) The term “debt” means any indebtedness of the Project Implementing Entity maturing by its terms more than one year after the date on which it is originally incurred.
  - (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
  - (iii) The term “net revenues” means the difference between:
    - (A) the sum of revenues from all sources related to operations and net non-operating income; and
    - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
  - (iv) The term “net non-operating income” means the difference between:
    - (A) revenues from all sources other than those related to operations; and
    - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
  - (v) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and other charges on, debt.
  - (vi) The term “reasonable forecast” means a forecast prepared by the Project Implementing Entity not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Association and the Project Implementing Entity, accept as reasonable and as to which the Association has notified the Project Implementing Entity of its acceptability, provided that no



event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the Project Implementing Entity.

- (vii) Whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

- 6. The Recipient shall ensure that adequate electric power is available for the operation of the water pumps in the Project districts.

**B. Subsidiary Agreement**

- 1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include: (a) the principal amount of the subsidiary financing shall be denominated in SDR and shall be repaid by the Project Implementing Entity to the Recipient in semi-annual installments over thirty five (35) years, including a grace period of ten (10) years; (b) a commitment charge shall be paid on the unwithdrawn amount of the subsidiary financing at a rate equal to the rate payable by the Recipient from time to time pursuant to Section 2.03 of this Agreement; and (c) a service charge shall be paid on the withdrawn amount of the subsidiary financing at a rate equal to the rate payable by the Recipient from time to time pursuant to Section 2.04 of this Agreement (“Subsidiary Agreement”).
- 2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

**C. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**D. Safeguards**

1. The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the Environmental Management Plan and the Resettlement Policy Framework, and shall not amend, suspend, abrogate, repeal or waive any provision of said Plan or Framework without the prior written approval of the Association.
2. For purposes of Part A of the Project and prior to the commencement of works for each proposed site, the Recipient shall cause the Project Implementing Entity to: (a) submit to the Association for its approval: (i) the proposed design and site for said works and, where required by the EMP and/or RPF, the related site-specific environmental management plan, land acquisition and/or resettlement plan and environmental management checklist, said site-specific plans and checklist to be in form and substance satisfactory to the Association; and (ii) the proposed contract for said works to ensure that the provisions of said site-specific plans and checklist are adequately included in said contract; and (b) ensure that such works are carried out in accordance with the EMP and the RPF.

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

**A. Project Reports**

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall cause the Project Implementing Entity to prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient.

The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2
(b) Shopping
(c) Direct Contracting

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultants' Qualifications
(e) Single-source Selection
(f) Selection of Individual Consultants

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

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

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Works	16,360,000	70.84%
(2) Goods under:		
(a) Parts A.2 (b) through (f) of the Project	30,980,000	70.84%
(b) Other Parts of the Project	150,000	83.33%
(3) Consultants' services, Training and Operating Costs for the Project	5,710,000	83.33%
(4) Unallocated	4,000,000	
<b>TOTAL AMOUNT</b>	<u>57,200,000</u>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2017.

**ANNEX  
to  
SCHEDULE 2**

National Competitive Bidding procedures of the Recipient may be used for procurement under the Project provided that the following provisions are complied with:

1. General

The Recipient represents that the procedures to be followed for National Competitive Bidding under Section III, Part B, paragraph 2, of Schedule 2 to the Financing Agreement shall be those set forth in Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 456 dated November 21, 2000, with the clarifications set forth in the following paragraphs required for compliance with the provisions of the Procurement Guidelines.

2. Registration

- (a) Bidding shall not be restricted to pre-registered firms.
- (b) Where registration is required, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.
- (c) Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign bidder shall be given a reasonable opportunity to register.

3. Advertising

Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of 30 days for the preparation and submission of bids.

4. Pre-qualification

When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one widely circulated national daily newspaper a minimum of 30 days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the pre-qualification documents.

5. Participation by Government-owned enterprises

Government-owned enterprises in the Republic of Uzbekistan shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid performance security requirements as other bidders.

6. Bidding Documents

Purchasers shall use the appropriate standard bidding documents for the procurement of goods, works or services, acceptable to the Association.

7. Bid Opening and Bid Evaluation

- (a) Bids shall be opened in public, immediately after the deadline for submission of bids.
- (b) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents.
- (c) Contracts shall be awarded to the qualified bidder having submitted the lowest evaluated substantially responsive bid and no negotiation shall take place.
- (d) Price verification should not be applied to Bank-financed contracts.

8. Price Adjustment

Civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

9. Rejection of Bids

- (a) All bids shall not be rejected and new bids solicited without the Association's prior concurrence.
- (b) When the number of bids received is less than three, re-bidding shall not be carried out without the Association's prior concurrence.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each January 15 and July 15:	
commencing July 15, 2021 to and including January 15, 2031	1.25%
commencing July 15, 2031 to and including January 15, 2046	2.5%

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\* 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 3.03 (b) of the General Conditions.



## **APPENDIX**

### **Definitions**

1. “Anti-Corruption Guidelines” means 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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
4. “EMP” or “Environmental Management Plan” means the environmental management plan adopted by the Project Implementing Entity and satisfactory to the Association, submitted to the Association and disclosed in the World Bank Infoshop on March 4, 2010 and consisting of the set of mitigation, monitoring, and institutional measures and procedures required under the Project in order to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
6. “ICC” means the ‘Interagency Council for Cooperation with International Financial Institutions, Foreign Government Agencies, and Donor Countries in Implementation of Large-scale and Strategically Important Investment Projects established for overall Project coordination and governance by Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 229 of August 12, 2009.
7. “Operating Costs” means incremental operating costs incurred by the PCU on account of Project implementation, management, monitoring and coordination, including PCU staff salaries including the uniform social charges, office equipment maintenance and repair, local travel, communication, translation and interpretation, and bank charges, all based on periodic budgets acceptable to the Association.
8. “PCU” means the Project Coordination Unit established by the Recipient within Uzkommunkhizmat, including its branch in Gulistan for the purposes of overall Project management and coordination and referred to in paragraph 2 under Section I.A of Schedule 2 to this Agreement.

9. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006 and May 2010.
10. "Procurement Plan" means the Recipient's procurement plan for the Project, dated January 24, 2011 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
11. "Project Implementing Entity" means the Syrdarya Region Water Management Enterprise Suvokova, or any successor thereto.
12. "Project Implementing Entity's Legislation" means the Decree of Ministry of Housing and Public Utilities No. 36 dated September 10, 1978 and the Decision of the Khokim of Syrdarya No. 398, dated January 2, 1995.
13. "Project Operations Manual" means the manual adopted by the Recipient pursuant to Section 5.01(b) of this Agreement and satisfactory to the Association, describing the procedures for implementation of the Project, including, *inter alia*: (i) procedures governing administrative, procurement, accounting, including adequate measures for procurement and audits, and monitoring and evaluation arrangements; and (ii) the financial management manual setting forth the procedures for financial management under this Project.
14. "Resettlement Policy Framework" or "RPF" means the Resettlement Policy Framework submitted to the Association and disclosed in the World Bank Infoshop on March 9, 2010, which establishes the potential resettlement and compensation principles, organizational arrangements and design criteria to be applied to project implementation in compliance with the laws of the Recipient and the Association's safeguards policy on involuntary resettlement.
15. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.
16. "Training" means expenditures for Project related training courses, seminars, workshops, study tours and other training activities not included under goods or service providers' contracts, including costs of training materials, space and equipment rental, travel and per diem costs of trainees and trainers.
17. "Uzkommunkhizmat" means the Uzbek Agency Uzkommunkhizmat established by the Decree of the President of the Republic of Uzbekistan No. 2719 dated December 19, 2000, or any successor thereto.