

Public Disclosure Authorized

OFFICIAL DOCUMENTS

LOAN NUMBER 8972-UZ

Loan Agreement

(Sustaining Market Reforms in Uzbekistan Development Policy Operation)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF UZBEKISTAN ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Borrower's maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore 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 — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of five hundred million Dollars (USD 500,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan").
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion, subject to Section 3.02 (e) of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program; and
 - (b) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule I to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Minister of Finance.
- 6.02. For purposes of Section 10.01 of the General Conditions:
- (a) the Borrower's address is:

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

(b) the Borrower's Electronic Address is:

Telex:	Facsimile:	E-mail:
11 6360 IK BOL	(998-71) 239-1252	info@mf.uz
	(998-71) 239-1259	

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

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

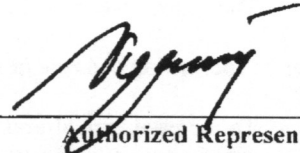
(b) the Bank's Electronic Address is:

Telex:	Facsimile:
248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF UZBEKISTAN

By



Authorized Representative

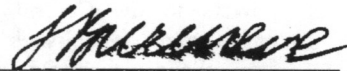
Name: Djamshid Kuchkarov

Title: Deputy Prime Minister and Minister of Finance

Date: July 19, 2019

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Lilia Burunciuc

Title: Regional Director, Central Asia

Date: July 19, 2019

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

The actions taken by the Borrower under the Program include the following:

Pillar 1: Increasing the role of markets and the private sector in the economy

1. To increase agricultural exports and incomes for farmers, the Borrower has (a) removed mandatory pre-payment and minimum export price requirements for horticultural exports, (b) removed controls on the sale price of shaped bread, and (c) increased the state farmgate procurement price offered to farmers for the 2019 wheat harvest, as evidenced, respectively, by Presidential Resolution PP-3978, Presidential Decree UP-5495, Resolution of the Cabinet of Ministers No. 731, and Resolution of the Cabinet of Ministers No. 959.
2. To reduce market entry barriers and increase competition in domestic trading activity, the Borrower has removed (a) licensing requirements to start and operate wholesale domestic trading and itinerant trading businesses, and (b) mandatory advance payment requirements for commercial trading transactions between entities whose Government ownership is less than 50 percent, as evidenced by Presidential Decree UP-5564.
3. To improve financial sector efficiency and stability, the Borrower has submitted a new law for Parliamentary approval on banks and banking activities that gives sufficient powers to the Central Bank of Uzbekistan to conduct effective oversight and enforcement, establishes a comprehensive and transparent licensing framework, and strengthens corporate governance and transparency requirements for commercial banks, as evidenced by the submission made by the Office of the Prime Minister to Parliament of transmittal No. 02/1-66, dated April 16, 2018.
4. To increase private sector investment in the energy sector, the Borrower has taken measures to establish a legal framework for the development of renewable energy and to adopt procurement procedures for the selection of potential renewable energy providers, as evidenced by the submission made by the Cabinet to Parliament of draft renewable energy law, No. П3-384, dated June 2018, as amended and transmitted to Parliament by the Ministry of Finance through transmittal No. AX/19-01-29/832, dated April 4, 2019.
5. To achieve financial sustainability of energy and water utility companies, the Borrower has adopted revised tariff methodology, consistent with principles of full cost-recovery, for the provision of electricity and cold-water services, as evidenced, respectively, by Resolution of the Cabinet of Ministers No. 308, and by Resolution of the Cabinet of Ministers No. 310.
6. To increase private sector participation in the aviation sector, the Borrower, has (a) separated its airline management, airport management, and air traffic control

functions, and (b) separated its policymaking, technical regulatory, and operational functions in the aviation sector, as evidenced by Presidential Decree UP-5584.

7. To improve the financial transparency and accountability of state-owned enterprises, the Borrower has created a new Agency for the Management of State Assets, reporting to the Prime Minister, to be responsible for the management of state-owned enterprises and the implementation of an open and transparent process for the privatization of state assets, as evidenced by Presidential Decree UP-5630.

Pillar 2: Enhancing social inclusion

8. To encourage firm growth and formal employment, especially of women, the Borrower has adopted a turnover-based definition of small businesses for tax and value-added tax registration purposes, as evidenced by Presidential Decree UP-5468.
9. To create better conditions for formal employment in urban areas, especially of women, and enhance labor mobility, the Borrower has removed restrictions limiting employers from hiring workers who do not have a local residence permit ("propiska"), as evidenced by the promulgation of Law ZRU-514.
10. To improve educational standards and increase the quality of the labor force, the Borrower has (a) signed a participation agreement with the OECD to participate in the 2021 PISA, and (b) created a National Center for International Research on Quality Assurance in Education which, along with the Ministry of Public Education, will be responsible for conducting national standardized and systematic student assessments of educational achievement, as evidenced, respectively, by the Borrower's transmittance of a signed OECD PISA participation agreement, and by Resolution of the Cabinet of Ministers No. 997.
11. To improve the efficiency and effectiveness of social safety nets for low income families, the Borrower has approved the creation and development of a Unified Social Registry of Social Protection, as evidenced by Resolution of the Cabinet of Ministers No. 309.
12. To increase fiscal transparency and improve citizen engagement in the budgetary process, the Borrower has required the Ministry of Finance to (a) annually publish citizens budget and budget execution reports, and (b) ensure that at least ten percent of each municipal district budget is allocated via input from a community-level participatory process, commencing from the 2019 Budget, as evidenced by Presidential Resolution PP-3917.

Section II. Availability of Loan Proceeds

- A. **General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. **Allocation of Loan Amounts.** The Loan (except for amounts required to pay the Front-end Fee) is allocated in a single withdrawal tranche, from which the Borrower may make

withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in USD)
(1) Single Withdrawal Tranche	498,750,000
(2) Front-end Fee	1,250,000
(3) Amount due pursuant to Section 4.05 (c) of the General Conditions	
TOTAL AMOUNT	500,000,000

C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower's macroeconomic policy framework.

D. Deposit of Loan Amounts.

1. Notwithstanding the provisions of Section 2.03 of the General Conditions:
 - (a) the Borrower shall open, prior to furnishing to the Bank the first request for withdrawal from the Loan Account, and thereafter maintain the following a dedicated account in United States Dollars ("Foreign Currency Dedicated Account") at the Central Bank of Uzbekistan ("CBU") on terms and conditions satisfactory to the Bank; and
 - (b) all withdrawals from the Loan Account shall be deposited by the Bank into the Foreign Currency Dedicated Account. Upon each deposit of an amount of the Loan into the Foreign Currency Dedicated Account, the Borrower shall deposit an equivalent amount into the Treasury Single Account System.
2. The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the Foreign Currency Dedicated Account; (b) the details of the account to which the equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (d) the statement of receipts and disbursement of the Foreign Currency Dedicated Account.

E. Audit. The Borrower shall:

1. have the Foreign Currency Dedicated Accounts audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;

2. furnish to the Bank as soon as available, but in any case not later than five (5) months after the end of the Borrower's fiscal year, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Bank; and
3. furnish to the Bank such other information concerning the Foreign Currency Dedicated Account and their audit as the Bank shall reasonably request.

F. Closing Date. The Closing Date is December 31, 2020.

SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

Level Principal Repayments

Principal Payment Date	Installment Share
On each May 15 and November 15 Beginning November 15, 2024 through May 15, 2049	2%

APPENDIX

Section I. Definitions

1. "Central Bank of Uzbekistan" or "CBU" means the central bank of the Borrower.
2. "Foreign Currency Dedicated Account" means the account referred to in Part E.1 of Section II of Schedule 1 to this Agreement.
3. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing", dated December 14, 2018.
4. "Law ZRU-514" means the Borrower's law of the same name, dated January 9, 2019, and published in the National Database of Legislation of the Republic of Uzbekistan on January 10, 2019.
5. "OECD" means Organization for Economic Cooperation and Development.
6. "PISA" means Programme for International Student Assessment of the Organization for Economic Cooperation and Development.
7. "Presidential Resolution PP-3917" means the decree of the same number, dated August 22, 2018, and published in the National Database of Legislation of the Republic of Uzbekistan on August 24, 2018.
8. "Presidential Resolution PP-3978" means the decree of the same number, dated October 17, 2018, and published in the National Database of Legislation of the Republic of Uzbekistan on October 17, 2018.
9. "Presidential Decree UP-5468" means the decree of the same number, dated June 29, 2018, and published in the National Database of Legislation of the Republic of Uzbekistan on June 30, 2018.
10. "Presidential Decree UP-5495" means the decree of the same number, dated August 1, 2018, and published in the National Database of Legislation of the Republic of Uzbekistan on August 2, 2018.
11. "Presidential Decree UP-5564" means the decree of the same number, issued on October 30, 2018, and published in the National Database of Legislation of the Republic of Uzbekistan on October 31, 2018.
12. "Presidential Decree UP-5584" means the decree of the same number, dated November 27, 2018, and published in the National Database of Legislation of the Republic of Uzbekistan on November 28, 2018.

13. "Presidential Decree UP-5630" means the decree of the same number, dated January 14, 2018, and published in the National Database of Legislation of the Republic of Uzbekistan on January 15, 2018.
14. "Program" means the program of objectives, policies, and actions set forth or referred to in the letter dated April 12, 2019, from the Borrower to the Bank declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule I to this Agreement, and actions to be taken consistent with the program's objectives.
15. "Resolution of the Cabinet of Ministers No. 308" means the decision of the same number, dated April 13, 2019, and published in the National Database of Legislation of the Republic of Uzbekistan on April 15, 2019.
16. "Resolution of the Cabinet of Ministers No. 309" means the decision of the same number, dated April 13, 2019, and published in the National Database of Legislation of the Republic of Uzbekistan on April 15, 2019.
17. "Resolution of the Cabinet of Ministers No. 310" means the decision of the same number, dated April 13, 2019, and published in the National Database of Legislation of the Republic of Uzbekistan on April 15, 2019.
18. "Resolution of the Cabinet of Ministers No. 731" means the decision of the same number, dated September 13, 2018, and published in the National Database of Legislation of the Republic of Uzbekistan on September 14, 2018.
19. "Resolution of the Cabinet of Ministers No. 959" means the decision of the same number, dated November 27, 2018, and published in the National Database of Legislation of the Republic of Uzbekistan on November 28, 2018.
20. "Resolution of the Cabinet of Ministers No. 997" means the decision of the same number, dated December 8, 2018, and published in the National Database of Legislation of the Republic of Uzbekistan on December 10, 2018.
21. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.
22. "Single Withdrawal Tranche" means the amount of the Loan allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule I to this Agreement.
23. "Treasury Single Account System" means the Borrower's single treasury accounts held at the CBU in UZS and foreign currency and used to make payments for the budgeted expenditures.
24. "Uzbekistan som" or "UZS" means the lawful currency of Uzbekistan.