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**CREDIT NUMBER 4648-UZ**

# **Financing Agreement**

**(Ferghana Valley Water Resources Management Phase I Project)**

**between**

**REPUBLIC OF UZBEKISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated February 9, 2010**

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**CREDIT NUMBER 4648-UZ**

**FINANCING AGREEMENT**

AGREEMENT dated February 9, 2010, 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.

**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 forty two million two hundred thousand Special Drawing Rights (SDR 42,200,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 March 15 and September 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 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 the MAWR in accordance with the provisions of Article IV of the General Conditions.
- 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 - TERMINATION**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. 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 V - REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is its Minister of Finance.
- 5.02. The Recipient's Address is:

Ministry of Finance  
Mustakilik Square 5  
Tashkent 100008  
Republic of Uzbekistan

Telex:

11 6360 IK BOL

Facsimile:

(998-71) 244-5643  
(998-71) 239-1259

5.03. 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/ Motoo Konishi

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve agricultural production in areas affected by water-logging, and to reduce damage to housing and infrastructure from rising ground water levels and salinity in the Project Districts.

The Project consists of the following parts:

#### Part A: Improvement of Irrigation and Drainage Network

1. Improvement of irrigation network.
2. Improvement of surface drainage network.
3. Improvement of vertical drainage network and groundwater development and management, including improvements to the dilapidated drainage system in the city of Rishtan.
4. Implementation of nature protection and enhancement activities, including creating buffer zones and planting trees along rehabilitated canals and drains and developing water protection zones.
5. Provision of cash compensation and other assistance to be paid in cash in accordance with the RPF and RAP as a result of Project implementation.
6. Engineering design, construction supervision and contract management for works to be carried out under Parts A.1, A.2 and A.3 above.

#### Part B: Institutional Strengthening and Agricultural Development Support

1. Institutional strengthening of, and provision of Training to, public institutions of the Recipient for environmental management and monitoring with respect to irrigation and drainage systems, including establishing a supervisory control and data acquisition system for ground water monitoring and provision of Training for its operation and maintenance.
2. Dissemination of modern agricultural and water management practices among members of Water Users Associations and small dekhani farmers through provision of Training and establishment and operation of field demonstration plots, including pilot drip irrigation.
3. Provision of technical assistance for drafting a new Water Code and the legislation and regulations related to water users associations establishment and operations.

Part C: Project Management, Monitoring and Evaluation

1. Strengthening the MAWR's and PIU's capacity for Project management, monitoring and evaluation through the provision of goods, consultant services, including Project audit, and Training, and financing of Operating Costs.
2. Provision of technical assistance for the preparation of future priority projects in water resources management sector.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional and Implementation Arrangements**

1. The Recipient shall maintain the PSC until completion of the Project with the composition and terms of reference satisfactory to the Association.
2. The Recipient shall maintain the PIU until completion of the Project with staff, resources and terms of reference satisfactory to the Association.
3. The Recipient shall carry out the Project in accordance with this Agreement and the Project Operational Manual and shall not amend, suspend, abrogate, repeal or waive any provision of said Manual without the prior written approval of the Association.
4. The Recipient shall ensure that upon completion of the works under Part A.3 of the Project, the responsibility for the operation and management of Rishtan vertical drainage system is effectively transferred from the Rishtan municipality to the MAWR.
5. The Recipient shall ensure that adequate electric power is available for the operation of the vertical drainage system in the Project Districts.
6. The Recipient shall ensure that adequate resources are allocated in the Recipient's annual budget for the operation and maintenance of the irrigation and drainage system in the Project Districts during and after the Project implementation.
7. The Recipient shall employ and maintain during the entire Project implementation period an independent consultant for monitoring and evaluation of the Project impacts.

**B. Anti-Corruption**

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

**C. Safeguards**

1. The Recipient shall carry out the Project in accordance with the Environmental Assessment, including the Environmental Management Plan, and with the Resettlement Policy Framework and the Resettlement Action Plan, and shall not

amend, suspend, abrogate, repeal or waive any provision of said Plans or Framework without the prior written approval of the Association.

2. For purposes of Parts A.1, A.2 and A.3 of the Project and prior to the commencement of works for each proposed site, the Recipient shall: (a) submit to the Association for its approval (i) the proposed design and site for said works and, where required by the respective EMP, RPF and/or RAP, 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 respective EMP, RPF and RAP.

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

### **A. Project Reports**

1. 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 agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.
2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months prior to the Closing Date.

### **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. Without limitation on the provisions of Part A of this Section, the Recipient, through the PIU, shall 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. 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) Least-Cost Selection
(b) Selection Based on Consultant's Qualifications
(c) Single-Source Selection
(d) Selection of Individual Consultants, including Sole-Source Selection

**D. Operating Costs**

Incremental expenditures included in the Operating Costs category can be procured in accordance with the established Recipient's administrative procedures acceptable to the Association.

**E. 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (exclusive of Taxes)</b>
(1) Goods, works, consultants' services and Training for the Project	37,730,000	100%
(2) Cash compensation and other assistance to be paid in cash in accordance with RPF and RAP	810,000	100%
(3) Operating Costs	330,000	100%
(4) Unallocated	3,330,000	
<b>TOTAL AMOUNT</b>	<u>42,200,000</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, except that withdrawals up to an aggregate amount not to exceed SDR 33,000 equivalent may be made for payments made prior to this date but on or after August 15, 2009, for Eligible Expenditures under Category (1).
2. The Closing Date is July 31, 2016.

**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 Council of Ministers Resolution No. 456 on Measures to Improve the Organization of Tenders for Purchases of Raw Materials, Spare Parts and Equipment, that became effective on 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 March 15 and September 15:	
commencing March 15, 2020 to and including September 15, 2029	1.25%
commencing March 15, 2030 to and including September 15, 2044	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.
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.
4. “Environmental Assessment” means the Environmental Assessment for the Project dated May 20, 2009 adopted by the Borrower and satisfactory to the Bank, including the associated Environmental Management Plan (EMP), consisting of the set of mitigation, monitoring and institutional measures required for the Project and to be taken to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures, including measures and information required for the preparation of site specific environmental management plans and checklists.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
6. “MAWR” means the Ministry of Agriculture and Water Resources of the Recipient or any successor thereto.
7. “Operating Costs” means incremental operating costs incurred by the PIU on account of Project implementation, management, monitoring and coordination, including office rent, maintenance and utilities, office equipment and vehicles maintenance, operation and repair, local travel, communication, translation and interpretation, bidding documents expertise and publication, bank charges, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Association.
8. “PIU” means the Project Implementation Unit established by the Recipient within the MAWR for the purposes of overall Project management and coordination, including its branch in Rishtan, and referred to in Part A.2 of Section I 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.
10. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated August 12, 2009 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 Districts” means collectively Altyarik, Baghdad and Rishtan districts of Ferhana Oblast of the Recipient and “Project District” means individually any one of these districts.
12. “PSC” means the Project Steering Committee established for overall Project coordination and governance by the Decree of the Cabinet of Ministers of the Recipient dated August 12, 2009 No. 229 and referred to in Part A.1 of Section I of Schedule 2 to this Agreement.
13. “Resettlement Action Plan” or “RAP” means a specific resettlement action plan prepared in accordance with the Resettlement Policy Framework for 37 farms in the Project Districts to be affected by the Project and referred to in Part C.1 of Section I of Schedule 2 to this Agreement, or any other resettlement action plan prepared for the purposes of the Project in accordance with the Resettlement Policy Framework.
14. “Resettlement Policy Framework” or “RPF” means the resettlement policy framework, satisfactory to the Bank, dated July 20, 2009, setting forth, *inter alia*: (i) the description of areas covered by the Project; (ii) the legal basis and screening process for land acquisition, resettlement and land use in connection with works and construction activities to be carried out under the Project; (iii) the resettlement principles and entitlements of Project affected people based on different categories of impact; (iv) the procedures for valuation, compensation and other assistance provided to the affected people, including the grievance process; (v) the responsibilities, procedures and requirements for the development and implementation of specific resettlement action plans; and (vi) an estimate of cost of compensation.
15. “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.