
**IDA CREDIT NUMBER 6943-UZ
SCALE-UP WINDOW CREDIT NUMBER 6944 -UZ**

Financing Agreement

(Electricity Sector Transformation and Resilient Transmission Project)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

**IDA CREDIT NUMBER 6943-UZ
SCALE-UP WINDOW CREDIT NUMBER 6944 -UZ**

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) a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of three hundred thirty million Dollars (\$330,000,000) (“Concessional Financing”), and
 - (b) a credit, which is deemed as Non-concessional Financing for purposes of the General Conditions, in the amount of fifty million Dollars (\$50,000,000) (“Non-concessional Financing”), as such amount may be converted from time to time through a Currency Conversion,

(collectively, “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. With respect to the Non-concessional Financing, the Front-end Fee is one quarter of one percent ($\frac{1}{4}$ of 1%) of the Non-concessional Financing amount.
- 2.04. The Maximum Commitment Charge Rate is:
- (a) with respect to the Concessional Financing, one-half of one percent ($\frac{1}{2}$ of 1%) per annum on the Unwithdrawn Financing Balance; and
 - (b) with respect to the Non-concessional Financing, one-quarter of one percent ($\frac{1}{4}$ of 1%) per annum on the Unwithdrawn Credit Balance
- 2.05. With respect to the Concessional Financing, the Service Charge is the greater of: (a) the sum of three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum; on the Withdrawn Credit Balance.
- 2.06. The Interest Charge is:
- (a) with respect to the Concessional Financing, 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; and
 - (b) with respect to the Non-concessional Financing, the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.09(e) of the General Conditions.
- 2.07. The Payment Dates are April 15 and October 15 in each year.
- 2.08. The principal amount of the Financing shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.09. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective 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 V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely that 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 the Recipient's obligations to be carried out by the Project Implementing Entity under this Agreement.
- 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 Association to the Recipient.

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 Implementing Entity has adopted the POM in form and substance satisfactory to the Association.
 - (c) The Project Implementing Entity has hired one financial management specialist, one environmental specialist and one social safeguard specialist, all with terms of reference and expertise acceptable to the Association.
 - (d) The GCF 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.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. 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 VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister of Finance.

6.02. 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

6.03. 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

Timur Ishmetov

Authorized Representative

Name: Timur Ishmetov

Title: Minister of Finance

Date: 02-mar-2022

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Marco Mantovanelli

Authorized Representative

Name: Marco Mantovanelli

Title: Country Manager

Date: 09-Feb-2022

SCHEDULE 1

Project Description

The objectives of the Project are to (i) strengthen the performance of NEGU, and (ii) improve the capacity and reliability of the power transmission system to integrate large scale renewable energy sources.

The Project consists of the following parts:

Part 1. Digitalization of the electricity transmission sector

- 1.1. Strengthening power system control and dispatch through providing support for: (i) the introduction of a new supervisory control and data acquisition energy management system for the central and regional control centers of NEGU; and (ii) installation of remote terminal units in key transmission substations and power plants.
- 1.2. Modernization and upgrade of NEGU' telecommunication network through (i) installation of optic fiber cables and telecommunication equipment; and (ii) establishment of other telecommunication systems and media, including radio communication.

Part 2. Power grid strengthening and renewable energy integration

- 2.1. Power grid modernization through rehabilitation, upgrade and expansion of not less than 22 priority 220 kV and 500 kV substations in Andijan, Bukhara, Kashkadarya, Khorezm, Navoiy, Surkhandarya, Syrdarya, Samarkand, Fergana, and Tashkent regions, and Tashkent city, including *inter alia* the supply and installation of substation equipment.
- 2.2. Power grid expansion through the construction in Tashkent region of a new 500 kV 'Koltsevaya' substation with associated transmission lines.

Part 3. NEGU institutional development and project implementation support

- 3.1. Modernization of NEGU business process through: (i) the procurement, installation, and integration of an ERP system at NEGU and its subsidiaries; and (ii) providing related support to capacity development of NEGU staff.
- 3.2. Strengthening NEGU financial sustainability and preparatory work to access commercial financing through *inter alia*: (a) the implementation of a financial recovery plan for NEGU; (b) strengthening of the financial management, transparency, and transition to IFRS; (c) obtaining of a credit rating for

NEGU from an internationally reputable rating agency; and (d) preparatory work for NEGU to raise commercial financing.

- 3.3. Strengthening NEGU institutional capacity development and corporate governance structure through *inter alia*: (i) support for NEGU institutional strengthening programs; (ii) improvement of NEGU corporate governance and decision making processes; (iii) support for development and implementation of transmission key performance indicators; (iv) capacity development activities on cybersecurity management; (v) support for the gender diversity, and citizen engagement initiatives; (vi) support to assess and build capacity on management and disposal of persistent organic pollutants in the electricity transmission sector; and (vii) conduct feasibility studies for future priority investment projects and other priority studies to support NEGU' operation and planning functions.
- 3.4. (a) Providing technical supervision consultancy of (i) the activities under Parts 1 and 3.1; and (ii) the infrastructure investments under Part 2.

(b) Provide project management support to the Project Management Unit for implementation of the Project, including procurement, disbursements, financial management, monitoring and evaluation of Project performance, as well as Incremental Operating Costs.

Part 4. Electricity Market Development

Provide technical assistance for the design and implementation of the electricity sector's transition plan toward the establishment of a wholesale electricity market, including the preparation of secondary legislation, market rules, institutional capacity building, and design and implementation of systems required for market operation and management.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall cause the Project Implementing Entity (i) to be responsible for overall Project implementation and coordination, and (ii) to maintain, throughout the Project implementation, the following institutional arrangements:
 - (a) maintain during the entire Project implementation period, the Project Management Unit for the purposes of Project management, monitoring and supervision, with functions, staff, terms of reference and resources acceptable to the Association and as further detailed in the Project Operational Manual.
 - (b) (i) prepare and adopt a Project Operational Manual, satisfactory to the Association, and setting out, *inter alia*: (A) institutional coordination and day-to-day execution of the Project; (B) project budgeting, disbursement, and financial management; (C) procurement; (D) monitoring and evaluation, reporting, and communication; and (E) any other administrative, financial, technical, and organizational arrangements and procedures that will be relevant for Project implementation;

(ii) carry out the Project in accordance with the Project Operational Manual; and

(iii) not amend, suspend, repeal or waive any of the provisions of the Project Operational Manual without the Association's prior written agreement. In case of any discrepancy between the provisions of the Project Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.
2. Notwithstanding the provisions in Section I.A.1 immediately above, for purposes of implementing activities under Parts 3 and 4 of the Project, the Recipient shall designate, at all times during the implementation of the Project, MoF, MoE, MIFT, and MEDPR to be responsible for providing to the PIE relevant policy and technical consultation within their area of specialty.
3. The Recipient shall cause the PIE to ensure that, not later than sixty (60) days from the Effective Date, the PMU updates the accounting software.

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 (“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. Environmental and Social Standards

1. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Association. To this end, the Recipient shall, and shall cause the Project Implementing Entity to, ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that:

- (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- 5. The Recipient shall, and shall cause the Project Implementing Entity to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
- 6. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall cause the Project Implementing Entity to 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 finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Concessional Financing Allocated (expressed in USD)	Percentage of Expenditures to be Financed (exclusive of Taxes other than Withheld Taxes)	Amount of the Non-concessional Financing Allocated (expressed in USD)	Percentage of Expenditures to be Financed (exclusive of Taxes other than Withheld Taxes)
(1) Goods, works, non-consulting services, consulting services under Part 1 of the Project	65,000,000	100%	49,875,000	100%
(2) Goods, works, non-consulting services, consulting services under Part 2.1 of the Project	100,000,000	70%	0	N/A
(3) Goods, works, non-consulting services, consulting services, and Training under Parts 2.2, 3.1, 3.2 and 4 of the Project	165,000,000	100%	0	N/A

(4) Front-end Fee under Non-Concessional Financing			125,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 3.08 (b) of the General Conditions
(5) Interest Rate Cap or Interest Rate Collar premium under Non-Concessional Financing			0	Amount due pursuant to Section 4.06 (c) of the General Conditions
TOTAL AMOUNT	330,000,000		50,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed US\$ 20,000,000 may be made for payments made prior to this date but on or after June 10, 2021, for Eligible Expenditures under Category (2) under Concessional Financing; or
2. The Closing Date is January 31, 2028.

SCHEDULE 3

Repayment Schedule

(a) With respect to the Concessional Financing:

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15: commencing October 15, 2026 to and including April 15, 2046	1.65%
commencing October 15, 2046 to and including April 15, 2051	3.40%

(b) With respect to the Non-concessional Financing:

Commitment-Linked Amortization Repayment Schedule

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

Level Principal Repayments

Principal Payment Date	Installment Share
On each April 15 and October 15 Beginning October 15, 2026 through April 15, 2051	2%

* 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. “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.
2. “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.
3. “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.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated May 20, 2021, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
6. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii)

“Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.

7. “ERP” means Enterprise Resource Planning.
8. “Green Climate Fund Agreement” or “GCF Agreement” means the agreement between the Recipient and the Association, acting as an Accredited Entity of the Green Climate Fund for the Project, of the same date as this Agreement, as such agreement may be amended from time to time. “GCF Financing Agreement” includes all appendices, schedules and agreements supplemental to the GCF Financing Agreement.
9. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021 and January 1, 2022).
10. “IFRS” means International Financial Reporting Standards.
11. “Incremental Operating Costs” means incremental operating expenditures incurred by the PMU under NEGU, on account of activities related to the management, monitoring, evaluation, coordination and implementation of the Project, including office equipment maintenance and repair, local travel, communication, translation and interpretation, bank charges, consulting services, salaries of staff (excluding salaries of civil servants) of the PMU, Project audits, PIE audits, and other costs of similar nature directly associated with the Project implementation and which are all based on periodic budgets acceptable to the Association.
12. “MEDPR” means the Recipient’s Ministry of Economic Development and Poverty Reduction, or any successor thereto acceptable to the Association.
13. “MIFT” means the Recipient’s Ministry of Investment and Foreign Trade, or any successor thereto acceptable to the Association.
14. “MoE” means the Recipient’s Ministry of Economy, or any successor thereto acceptable to the Association.
15. “MoF” means the Recipient’s Ministry of Finance, or any successor thereto acceptable to the Association.
16. “National Electric Grid of Uzbekistan Joint-Stock Company” or “NEGU” means a joint stock company, a legal entity responsible for implementing the Project established pursuant to the Presidential Resolution #PP-4249 dated March 27,

2019 and existing under the laws of the Republic of Uzbekistan, and includes its successors and permitted assignees.

17. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
18. “Project Agreement” means the agreement between the Association and the Project Implementing Entity for the Project, of the same date as this Agreement, as such agreement may be amended from time to time. “Project Agreement” includes all appendices, schedules and agreements supplemental to the Financing Agreement.
19. “Project Implementing Entity” means the Recipient’s National Electric Grid of Uzbekistan Joint-Stock Company.
20. “Project Implementing Entity Legislation” means the Presidential Resolution #PP-4249 dated March 27, 2019, and associated documentation establishing, governing, or otherwise regulating the Project Implementing Entity.
21. “Project Management Unit” or “PMU” means the Project Management Unit established by the Project Implementing Entity pursuant to PIE’s Order No. 85A dated July 21, 2014 for the purposes of Project management, monitoring and evaluation and referred to in Section I.A.3 of Schedule to the Project Agreement.
22. “Project Operational Manual” or “POM” means the Project Operational Manual to be adopted by the Project Implementing Entity for the purposes of the Project pursuant to Section 5.01(b) of this Agreement, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, data collection and reporting, and which includes a manual of financial management procedures that sets out procedures for Project accounting, reporting and audit, disbursements, flow of funds and management of the designated account as the same may be amended from time to time with the agreement of the Association.
23. “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.
24. “Training” means 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 agreed with the Association.

25. "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.