
LOAN NUMBER 9321-UZ

Loan Agreement

(Accelerating Uzbekistan's Transition Development Policy Loan)

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 one hundred and fifty million Dollars (USD150,000,000), 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 Variable 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 February 15 and August 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;
 - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
 - (c) without limitation upon paragraph (a) and (b) 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 1 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
Mustakilik Square 5
Tashkent 100008
Republic of Uzbekistan; and

(b) the Borrower's Electronic Address is:

Telex:	Facsimile:
11 6360 IK BOL	(998-71) 233-7073
	(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: Timur Ishmetov

Title: Minister of Finance

Date: 16-Dec-2021

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Tatiana Proskuryakova

Title: Country Director for Central Asia

Date: 16-Dec-2021

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

Actions Taken Under the Program. The actions taken by the Borrower under the Program include the following:

Pillar 1: Stronger market institutions and better management for stated-owned enterprises

1. In accordance with the Borrower's agricultural modernization strategy to increase climate resilience and eliminate state-controlled agricultural production, the Borrower has abrogated restrictions requiring wheat farmers to sell a fixed quota of production to the state at a price regulated by the state to allow farmers to determine their buyers and to set farmgate prices based on market conditions, as evidenced by Presidential Resolution No. PP-10, dated November 15, 2021.
2. To improve the management of state-owned enterprises, the Borrower has submitted a new state asset management law for parliamentary approval that establishes corporate governance and financial transparency requirements for all state enterprises and legislates principles for reducing the number of state-owned enterprises, as evidenced by Cabinet of Ministers Letter 02/49365/1-2357, dated November 12, 2021.

Pillar 2: Improved fiscal transparency and accountability

3. To increase the transparency of public spending and parliamentary oversight of the budget, and to improve the alignment of spending to government priorities, the Borrower's has enacted amendments to Articles 45 and 46 of the Budget Code of the Republic of Uzbekistan to expand the composition of the Consolidated Budget of the Republic of Uzbekistan to include off-budget funds of all budgetary organizations and extra-budgetary funds of budgetary organizations, as evidenced by Law of the Republic of Uzbekistan No. ZRU-660, dated December 30, 2020.
4. To strengthen the management of public debt and increase debt transparency, the Borrower has submitted a new State Debt Law for parliamentary approval that: (i) establishes objectives for debt management, and assigns specific purposes, roles, and responsibilities for debt management; and (ii) establishes legally binding requirements for debt reporting, as evidenced by Cabinet of Ministers Letter No. 02/25858/1-609, dated November 12, 2021.

Pillar 3: Increased economic and social inclusion, especially of women and persons with disabilities

5. To modernize labor relations and reduce gender and other discrimination in the labor market, the Borrower has submitted to Parliament for approval a new labor code that: (i) introduces equal pay for men and women for equal work; (ii) prohibits discrimination in hiring and labor contract termination; and (iii) establishes and regulates the concept of ‘minimum wage’, as evidenced by Letter of the Ministry of Employment and Labor Relations No. 01/00-02/13-12578, dated November 15, 2021.
6. To better link the social safety net system with the needs of the poor, the Borrower has (i) adopted a new poverty line methodology consistent with international good practice, and (ii) required the new poverty line to be used in the determination of need and the level of social benefit payments made to individuals, as evidenced by Cabinet of Ministers’ Decision No. 544, dated August 27, 2021.
7. To increase the economic inclusion of persons with disabilities, and better align Uzbekistan’s legal regime for disability rights with international good practice, the Borrower has enacted a law ratifying Uzbekistan’s accession to the Convention on the Rights of Persons with Disabilities, as evidenced by Law of the Republic of Uzbekistan No. ZRU-695, dated June 7, 2021.

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 is allocated in: (a) a single tranche, from which the Borrower may make withdrawals of the Loan proceeds; and (b) the amounts requested by the Borrower to (i) pay: (A) the Front-end Fee; and (B) each Interest Rate Cap or Interest Rate Collar premium. 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	149,625,000
(2) Front-end Fee	375,000
(3) Amount due pursuant to Section 4.05 (c) of the General Conditions	0
TOTAL AMOUNT	150,000,000

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 a dedicated account in USD ("Foreign Currency Dedicated Account") at the CBU; and
- (b) all withdrawals from the Loan Account shall be deposited by the Bank into the Foreign Currency Dedicated Account. Upon deposit of the 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 Account 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 its audit as the Bank shall reasonably request.

F. Closing Date. The Closing Date is June 30, 2023.

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 February 15 and August 15 Beginning February 15, 2027 through February 15, 2039	3.85%
On August 15, 2039	3.75%

APPENDIX

Definitions

1. “Budget Code of the Republic of Uzbekistan” means the Borrower’s Law on Budget Code No. ZRU-360, dated December 26, 2013, as amended on October 29, 2021.
2. “Cabinet of Ministers’ Decision No. 544” means the Borrower’s decision of the same number dated August 27, 2021 and published in the National Database of Legislation of the Republic of Uzbekistan, “About Introduction of the Procedure of Calculation of the Cost of the Minimum Consumption Cost”.
3. “Cabinet of Ministers Letter 02/49365/1-2357” means the Borrower’s Cabinet of Ministers letter of the same number and dated November 12, 2021 submitting to the Parliament for approval the draft Law on Management of State Assets.
4. “Cabinet of Ministers Letter 02/25858/1-609” means the Borrower’s Cabinet of Ministers’ letter of the same number dated November 12, 2021 submitting to the Parliament for approval the draft Law on State Debt.
5. “Central Bank of Uzbekistan” or “CBU” means the central bank of the Borrower.
6. “Consolidated Budget of the Republic of Uzbekistan” means the Borrower’s consolidated budget as defined in the Budget Code of the Republic of Uzbekistan as amended.
7. “Convention on the Rights of Persons with Disabilities” means the United Nations Convention on the Rights of Persons with Disabilities (A/Res/61/106) adopted on December 13, 2006.
8. “Financing Agreement” means the agreement between the Borrower and the Association in support of the Program, of the same date as this Agreement, as such agreement may be amended from time to time. “Financing Agreement” includes all appendices, schedules and agreements supplemental to the Financing Agreement.
9. “Foreign Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, and April 1, 2021).

11. “Law of the Republic of Uzbekistan No. ZRU-660” means the Borrower’s law of the same number dated December 30, 2020 and published in the National Database of Legislation of the Republic of Uzbekistan, “On Amendments and Additions to Some Legislative Acts of the Republic of Uzbekistan in connection with the Improvement of the Budgetary Process”.
12. “Law of the Republic of Uzbekistan No. ZRU-695” means the Borrower’s law of the same number dated June 7, 2021 and published in the National Database of Legislation of the Republic of Uzbekistan, “On the Ratification of Convention on the Rights of Persons with Disabilities”.
13. “Letter of the Ministry of Employment and Labor Relations No. 01/00-02/13-12578” means the Borrower’s letter of the same number dated November 12, 2021 confirming submission to Parliament on October 26, 2021 of the revised draft Labor Code of the Republic of Uzbekistan.
14. “National Database of Legislation of the Republic of Uzbekistan” means the Borrower’s database of legislation established pursuant the Decree of the President of the Republic of Uzbekistan No. UP-5415, dated April 13, 2018 and located online at <http://www.lex.uz>.
15. “Parliament” means the Borrower’s Parliament (*Oliy Majlis*).
16. “Presidential Resolution No. PP-10” means the Borrower’s resolution of the same number dated November 15, 2021 and transmitted to the Bank on November 16, 2021.
17. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated November 12, 2021 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 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
18. “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.
19. “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 1 to this Agreement.

20. "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.
21. "UZS" means the Borrower's currency.