

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4896-UZ

Financing Agreement

(Health System Improvement Project)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 16, 2011

Public Disclosure Authorized

CREDIT NUMBER 4896-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 nine million and six hundred thousand Special Drawing Rights (SDR 59,600,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 February 15 and August 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 carry out the Project through MOH 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 — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of, namely, that the Recipient shall have amended the Operational Manual without the prior written consent of the Association.
- 4.02. The Additional Event of Acceleration consists of, 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.

EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient has procured and installed a new advanced automated accounting software satisfactory to the Association at the CPIB.
- 5.02. The Effectiveness Deadline is the date ninety (90) days 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:

11 6360 IK BOL

Facsimile:

(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:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI)

Facsimile:

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 objectives of the Project are to: (a) improve access to quality health care at the primary level and at RMUs; and (b) strengthen the Government's public health response to the rise in non-communicable diseases (NCDs).

The Project consists of the following parts:

Part A: Improving Health Service Delivery

1. Improving hospital service delivery by: (a) refurbishing at least one hundred (100) selected central rayon hospitals with up-to-date diagnostic and waste management equipment and medical furniture; (b) improving health service planning at the RMUs including the revision of construction specifications and standards and the development of referral guidelines and equipment maintenance systems; and (c) providing study tours for health administrators to improve the skills and competencies in hospital management, through the provision of goods, consultants' services and Training.

2. Primary health care development by: (a) expanding the general practice primary health care model to all urban polyclinics in pilot Fergana, Syrdarya, Samarkand oblasts and in Tashkent city; (b) continuing the ten-month general practice training programs; and (c) improving skills and competencies of medical personnel in early diagnosis, screening and treatment of priority NCDs and development of optimal urban general practice model implementation strategy, through the provision of goods, consultants' services and Training.

3. Clinical quality enhancement by: (a) providing on-site training of RMUs' pediatric and internal medicine doctors and nurses in new clinical treatment standards; (b) training in clinical case management and hospital administration; (c) developing and introducing up-to-date relevant and effective practical treatment standards for RMUs internal medicine and pediatrics staff; and (d) establishing quality improvement mechanisms to monitor implementation of the new clinical treatment standards, through the provision of goods, consultants' services and Training.

Part B: Strengthening Health Financing and Management Reforms

1. Consolidating and institutionalizing per capita based primary health care financing and management reforms by developing the strategy for the health sector financing and appropriate regulatory measures for the implementation of that strategy, through the provision of consultants' services.

2. Strengthening the role of MOH in health financing policy formulation and monitoring, and local capacity building by: (a) conducting health sector expenditures

analysis and medium term projections; (b) developing the national health accounts (NHA); and studies on hospital utilization patterns; (c) training relevant staff at MOH, rural primary health care clinics and RMUs on financial management; and (d) developing a health financing information system to support the implementation of the hospital financing pilot, through the provision of goods, consultants' services and Training.

Part C: Institutional Strengthening for NCDs' Prevention and Control

1. Strengthening the capacity of public health institutions in effective prevention and control of non communicable diseases by increasing awareness of, and changing, behaviors associated with increased risk for hypertension, diabetes and other chronic diseases among the population, through the provision of goods, consultants' services, Training and workshops.

2. Strengthening the health surveillance systems by: (a) developing a surveillance system for NCDs; (b) improving the public health system's ability to use collected data in effective policy making and program planning; and (c) developing an effective health promotion and disease prevention programs, through the provision of goods, consultants' services, Training and workshops.

Part D: Project Management

Strengthening the capacity of MOH, the CPIB and PIBs for Project management and implementation, monitoring and evaluation, environmental management pursuant to the EMF, procurement and financial management, through the provision of goods, consultants' services, Training and Incremental Operating Costs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall carry out the Project through MOH in accordance with the requirements and details set forth or referred to in the Project Operations Manual. The Recipient shall not assign, amend, abrogate or waive the Project Operations Manual or any provision thereof, without the prior approval of the Association.
2. The Recipient shall, by not later than September 1, 2011:
 - (a) establish and thereafter maintain the CPIB with resources, staff and under terms of reference satisfactory to the Association and assign to it the responsibility for overall Project management and coordination; and
 - (b) establish and thereafter maintain a PIB in all oblasts and the Republic of Karakalpakstan, with resources, staff and under terms of reference satisfactory to the Association, and assign to it responsibility to assist the CPIB with Project implementation.
3. The Recipient shall, not later than three (3) months as at the Effectiveness Date, establish and thereafter maintain for the duration of the Project implementation, Oblast Hospital Program Oversight Committees at the local government “*Khokimiyat*” level in all oblasts and the Council of Ministers of the Republic of Karakalpakstan.
4. The Recipient shall, not later than six (6) months as at the Effectiveness Date:
 - (a) establish and thereafter maintain for the duration of the Project implementation, an Inter-ministerial Methodological Commission on Health Financing responsible for the coordination of health financing and management reforms issues and making recommendations for important health sector policy decisions; and
 - (b) adopt the decision on: (i) the implementation of hospital financing pilot in three hospitals in Fergana oblast; and (ii) the expansion of the urban model of primary health care to all urban polyclinics in pilot Fergana, Syrdarya, Samarkand oblasts and in Tashkent city.
5. Not later than February of each year, starting from the investment and recurrent costs’ plans for 2012, and on an annual basis for the duration of the Project, the

Recipient shall, through MOH, submit to the Association, the approved hospital investment plan for each year and the respective recurrent costs' plan.

6. Not later than February of each year, starting from the investment and recurrent costs' plans for 2012, and on an annual basis for the duration of the Project, the Recipient shall, through MOH, submit to the Association, the status of execution of the hospital investments and respective recurrent costs' plan for the preceding year.
7. The Recipient shall, through MOH, on a semi-annual basis for the duration of the Project, submit to the Association, reports from the Oblast Hospital Program Oversight Committees on implementation of the hospital improvement program.

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 ensure that the Project is carried out in accordance with the provisions of the EMF. The Recipient shall not assign, amend, abrogate or waive the EMF or any provision thereof, without the prior approval of the Association.
2. For the purposes of Part A of the Project and prior to the commencement of the bidding process for rehabilitation works, the Recipient shall:
 - (a) for the purpose of the first two contracts for rehabilitation works, prepare and submit to the Association for its approval: (i) the proposed design and site for said work, and, the related site-specific EMP and/or 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/or checklist are adequately included in said contract; and
 - (b) ensure that: (i) the proposed design and site for said works and, the related site-specific EMP and/or environmental management checklist, said site-specific plans and checklist are in form and substance satisfactory to the Association; (ii) the provisions of said site-specific plans and/or checklist are adequately included in the proposed contract for said works; and (iii) such works are carried out in accordance with the EMF.

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 forty-five (45) days 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 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.** All goods 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

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

Procurement Method	
(a)	National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2 required to comply with the provisions of the Procurement Guidelines
(b)	Limited International Bidding
(c)	Shopping
(d)	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.

Procurement Method
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least-Cost Selection
(d) Selection Based on Consultants' Qualification
(e) Single-Source Selection
(f) Procedures set forth in paragraphs 5.2 through 5.4 of the Consultant Guidelines for the 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (exclusive of Taxes)
(1) Goods, Consultants' services, Training and Incremental Operating Costs	59,600,000	100%
TOTAL AMOUNT	<u>59,600,000</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, 2016.

**ANNEX TO
SCHEDULE 2**

National Competitive Bidding

Contracts for goods and technical services (other than consulting services) procured under the National Competitive Bidding procedures shall comply with the following provisions:

1. (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 declared the lowest evaluated bidder shall be given a reasonable opportunity to register.
2. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids.
3. 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.
4. Purchasers shall use the appropriate standard bidding documents for the procurement of goods or services, acceptable to the Association.
5. (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 Association-financed contracts.
6. Contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.
 7.
 - (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 (3), re-bidding shall not be carried out without the Association's prior concurrence.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15:	
commencing August 15, 2021 to and including February 15, 2031	1.25%
commencing August 15, 2031 to and including February 15, 2046	2.5%

* 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. “CPIB” means the Central Project Implementation Bureau to be established by the Recipient pursuant to Section I.A.2 (a) of Schedule 2 to this Agreement.
5. “EMF” means the Environmental Management Framework, dated November 20, 2010, outlining the procedures for the environmental screening, management, and mitigating measures, including such procedures related to health care waste management under the Project.
6. “EMP” means the site specific environmental management plan to be prepared by the Recipient during the Project implementation in accordance with the EMF and approved by the Association, describing environmental mitigation, monitoring and institutional measures for the rehabilitation works under the Project.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
8. “Incremental Operating Costs” means incremental operating costs incurred on account of Project implementation, management, monitoring and coordination, including office equipment maintenance and repair, local travel, communication, translation and interpretation, and bank charges, all based on periodic budgets acceptable to the Association.
9. “MOH” means the Recipient’s Ministry of Health or any successor thereto.
10. “PIB” means the Project Implementation Bureau to be established by the Recipient pursuant to Section I.A.2 (b) of Schedule 2 to this Agreement.

11. “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.
12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 23, 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.
13. “Project Operations Manual” means the manual, outlining, *inter alia*, the institutional, disbursement, procurement, financial management and environmental management arrangements for the implementation of the Project, dated February 21, 2011, as the same may be amended from time to time with approval of the Association, and such term includes any schedules to the Project Operations Manual.
14. “RMUs” means rayon medical unions.
15. “Training” means expenditures incurred by the Recipient in connection with Project-related study tours, training courses, seminars, workshops and other training activities, including travel and per diem costs of trainees and trainers.