
CREDIT NUMBER 6808-UZ
SCALE-UP WINDOW CREDIT NUMBER 6807-UZ

Financing Agreement

**(Supporting a Transparent and Inclusive Market Transition
Development Policy Financing)**

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

**CREDIT NUMBER 6808-UZ
SCALE-UP WINDOW CREDIT NUMBER 6807-UZ**

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF UZBEKISTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association 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 — 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 one hundred sixty-five million Dollars (\$165,000,000) (“Concessional Credit”), and (b) a credit, which is deemed as Non-concessional Financing for purposes of the General Conditions, in the amount of eighty five million Dollars (\$85,000,000) (“Non-concessional Credit”), as such amount may be converted from time to time through a Currency Conversion, (collectively, “Financing”).
- 2.02. With respect to the Non-concessional Credit, the Front-end Fee is one quarter of one percent ($\frac{1}{4}$ of 1%) of the Non-concessional Credit amount.
- 2.03. (a) With respect to the Concessional Credit, the Maximum Commitment Charge Rate is 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 Credit, the Commitment Charge is one-quarter of one percent ($\frac{1}{4}$ of 1%) per annum on the Unwithdrawn Credit Balance.

- 2.04. With respect to the Concessional Credit, the Service Charge is the greater of: (a) the sum of three-fourths of one percent ($3/4$ of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent ($3/4$ of 1%) per annum; on the Withdrawn Credit Balance.
- 2.05. (a) With respect to the Concessional Credit, the Interest Charge is the greater of: (i) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (ii) zero percent (0%) per annum; on the Withdrawn Credit Balance; and
- (b) With respect to the Non-concessional Credit, the Interest Charge is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.09(e) of the General Conditions.
- 2.06. The Payment Dates are April 15 and October 15 in each year.
- 2.07. (a) The principal amount of the Concessional Credit shall be repaid in accordance with the repayment schedule set forth in paragraph (a) in Schedule 2 to this Agreement; and
- (b) The principal amount of the Non-concessional Credit shall be repaid in accordance with the repayment schedule set forth in paragraph (b) in Schedule 2 to this Agreement
- 2.08. The Payment Currency is Dollar.
- 2.09. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
- (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved

in carrying out the Program, in such detail as the Association shall reasonably request; and

- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 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 Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient'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 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:

11 6360 IK BOL

(998-71) 239-1252

(998-71) 239-1259

info@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



Authorized Representative

Name: Timur Ishmetov

Title: Minister of Finance

Date: 16-Dec-2020

**INTERNATIONAL DEVELOPMENT
ASSOCIATION**

By



Authorized Representative

Name: Marco Mantovanelli

Title: Country Manager

Date: 16-Dec-2020

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

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

Pillar 1: Improving the efficiency, sustainability, and transparency of resource allocation in the economy

1. To increase the efficiency of financial resource allocation and strengthen transparency in the banking sector in implementation of the government's approved banking law and financial sector reform strategy, the Recipient has (i) prohibited all new on-lending to State Owned Enterprises ("SOEs") by state commercial banks using subsidized funds from the Uzbekistan Fund for Reconstruction and Development ("UFRD"); (ii) required all new commercial bank lending in local currency, from 1 January, 2020, to be at interest rates at or above the central bank reference rate, except for government loans for mortgage lending and the production of raw cotton and grains; and (iii) appointed at least one independent director, consistent with requirements in the Banking Law, to each of the boards of at least ten state-owned commercial banks, as evidenced, respectively, by President's Resolution No. PP-4487 dated October 9, 2019, President's Decree No. UP-5877 dated November 18, 2019, President's Decree No. UP-5992 dated May 12, 2020, Law of the Republic of Uzbekistan No. 580 dated November 5, 2019, and Ministry of Finance Letter No. 02/02-29-02-35/1054 dated November 5, 2020.
2. In accordance with the Recipient's agricultural modernization strategy to increase climate resilience, diversify agriculture, increase the transparency and efficiency of land distribution, and eliminate state agricultural production, the Recipient has abrogated the state cotton order system by removing mandatory cotton production targets and mandatory state procurement of cotton, as evidenced by President's Resolution No. PP-4633 dated March 6, 2020.
3. To reduce inefficient fossil fuel subsidies, the Recipient has abrogated the State's regulation of the retail price of AI-80 petroleum, diesel, and ECO diesel, as evidenced by President's Resolution No. PP-4664 dated April 4, 2020.
4. To enhance the enabling environment and transparency of Public-Private Partnerships ("PPPs") in the renewable energy and other infrastructure sectors, the Recipient has submitted legislative draft amendments to the PPP Law and Currency Regulation Law for Parliamentary approval, to: (i) allow the government to enter foreign currency financial commitments in PPP concession

agreements and allow financial compensation to be paid to investors against losses which may arise from changes to legislation in force on the date of the partnership agreement; and (ii) strengthen public information disclosure requirements for PPP tenders and PPPs under implementation, as evidenced by Cabinet of Ministers Letter No. 02/I-II22 dated September 10, 2020 to the Parliament.

5. To improve the financial transparency and performance of SOEs and reduce state ownership of assets, the Recipient has adopted President's Decree No. UP-6096 dated October 27, 2020 that:
 - (i) required 32 of the largest SOEs by financial valuation to: (a) adopt international financial reporting standards, (b) prepare enterprise financial recovery strategies, and (c) obtain international credit ratings starting from 2021; and
 - (ii) approved a list of SOEs that will be divested of government ownership via a competitive process.
6. To increase fiscal transparency and strengthen public ownership of the State Budget, the Recipient has enacted amendments to the Budget Code of the Republic of Uzbekistan to: (i) vest the Parliament, the Republic of Karakalpakstan's *Jokargy Kenes*, and regional *kengashlars* with the responsibility of approving their respective budgets; and (ii) incorporated the income and expenses of the Uzbekistan Fund for Reconstruction and Development in the State Republican Budget Law draft, as evidenced by Law of the Republic of Uzbekistan No. 590 dated December 9, 2019.

Pillar 2: Enhancing economic inclusion and social resilience

7. To increase domestic labor mobility, improve access to public services such as health and education, and expand economic opportunities for citizens, the Recipient has (i) reduced restrictions on the issuance of new residency registrations by expanding eligibility criteria for registration in Tashkent and (ii) simplified and digitized residency registration procedures, as evidenced by President's Decree No. UP-5984 dated April 22, 2020.
8. To reduce barriers limiting the full economic participation and safety of women, the Recipient has issued regulations to further implement legislation (i) guaranteeing non-discrimination on the basis of sex for employment, electoral candidacy, and for access to state resources; and (ii) for the issuance, enforcement, and monitoring of protection orders for survivors of gender-based violence, as evidenced, respectively, by Cabinet of Ministers' Resolution No. 192 dated March 30, 2020, Order of the Minister of Justice of the Republic of

Uzbekistan No. 2352-8 dated May 27, 2020, and Cabinet of Ministers' Resolution No. 3 dated January 4, 2020.

9. To increase support for vulnerable households during the COVID-19 crisis, and to further strengthen the efficiency and transparency of the social safety net system and its responsiveness in targeting people affected by future sources of vulnerability, including climate vulnerable groups, the Recipient has: (i) increased by 10 percent the number of beneficiaries receiving low-income family allowances and waived re-registration requirements for existing low-income family allowance recipients, in response to the COVID-19 crisis; and (ii) approved the transition of all regions in the country to using the Single Registry of Social Protection to process applicant registration, beneficiary selection, program enrollment and payment orders, as evidenced, respectively, by President's Decree No. UP-5996 dated May 18, 2020, Cabinet of Ministers' Resolution No. 307 dated May 20, 2020, and President's Resolution No. PP-4797 dated August 4, 2020.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing is allocated in : (a) a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds; and (b) the amounts requested by the Recipient to: (i) pay for the Front-end-Fee; and (ii) pay the Interest Rate Cap or Collar Premium. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Concessional Credit Allocated (expressed in USD)	Amount of the Non-concessional Credit Allocated (expressed in USD)
(1) Single Withdrawal Tranche	165,000,000	84,787,500
(2) Front-end Fee		212,5000
(3) Interest Rate Cap or Collar premium pursuant to Section 4.06 (c) of the General Conditions		0
TOTAL AMOUNT	165,000,000	85,000,000

C. Withdrawal Tranche Release Conditions.

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

D. Deposit of Financing Amounts.

1. Notwithstanding the provisions of Section 2.03 of the General Conditions:

- (a) the Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain the dedicated account in United States Dollars ("Foreign Currency Dedicated Account") at the Central Bank of Uzbekistan ("CBU") on terms and conditions satisfactory to the Association; and
- (b) all withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Dedicated Account. Upon each deposit of an amount of the Financing into the Foreign Currency Dedicated Account, the Recipient shall deposit an equivalent amount into the Treasury Single Account System.

2. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the Foreign Currency Dedicated Account; (b) the details of the account to which the equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (d) the statement of receipts and disbursement of the Foreign Currency Dedicated Account.

E. Audit. The Recipient shall:

1. have the Foreign Currency Dedicated Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
2. furnish to the Association as soon as available, but in any case not later than five (5) months after the end of the Recipient's fiscal year, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and
3. furnish to the Association such other information concerning the Foreign Currency Dedicated Account and its audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is June 30, 2022.

SCHEDULE 2

(a) With respect to Concessional Credit:

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
commencing April 15, 2026 to and including October 15, 2045	1.65%
commencing April 15, 2046 to and including October 15, 2050	3.40%

* 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.

(b) With respect to Non-concessional Credit:

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Non-concessional Credit and the percentage of the total principal amount of the Non-concessional 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 April 15, 2026 through October 15, 2050	2%

APPENDIX

Definitions

1. “AI-80 petroleum” means the unleaded petroleum with an octane rating of 80.
2. “Banking Law” means the Recipient’s “Law on Banks and Banking”, dated April 25, 1996 as amended, and published in the Official Gazette on November 6, 2019.
3. “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.
4. “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.
5. “Cabinet of Ministers’ Resolution No.3” means the Recipient’s resolution of the same number, dated January 4, 2020 and published in the National Database of Legislation of the Republic of Uzbekistan on January 4, 2020.
6. “Cabinet of Ministers’ Resolution No.192” means the Recipient’s resolution “On Approval of the Regulations for Conducting the Gender-Legal Review of the Legal Acts and their Drafts”, dated March 30, 2020 and published in the National Database of Legislation of the Republic of Uzbekistan on March 31, 2020.
7. “Cabinet of Ministers’ Resolution No.307” means the Recipient’s resolution of the same number, dated May 20, 2020 and published in the National Database of Legislation of the Republic of Uzbekistan on May 21, 2020.
8. “Cabinet of Ministers’ Letter No. 02/I-II22” means the Recipient’s letter of the same number dated September 10, 2020 and transmitted to the Association on October 14, 2020.
9. “Central Bank of Uzbekistan” or “CBU” means the central bank of the Recipient.
10. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).

11. “Currency Regulation Law” means the Recipient’s “Law on Currency Regulation”, dated May 7, 1993 as amended, and published in the Official Gazette on October 23, 2020.
12. “Foreign Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
13. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020).
14. “*Jokargy Kenes*” means the Republic of Karakalpakstan’s supreme representative and legislative body established pursuant to Constitution of the Republic of Karkalpakstan, adopted on 9 April 1993.
15. “Law of the Republic of Uzbekistan No. 580” means the Recipient’s law of the same number, dated November 5, 2019 and published in the National Database of Legislation of the Republic of Uzbekistan on November 6, 2019.
16. “Law of the Republic of Uzbekistan No. 590” means the Recipient’s law of the same number, dated December 9, 2019 and published in the National Database of Legislation of the Republic of Uzbekistan on December 10, 2019.
17. “Ministry of Finance’s Letter No. 02/02-29-02-35/1054” means the Recipient’s Ministry of Finance’s letter of the same number, dated November 5, 2020 on “Confirmation of independent board director appointments to State-owned commercial banks”.
18. “National Database of Legislation of the Republic of Uzbekistan” means the Recipient’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>.
19. “Order of the Minister of Justice of the Republic of Uzbekistan No. 2352-8” means the Recipient’s minister of justice order of the same number, dated May 27, 2020 and published in the National Database of Legislation of the Republic of Uzbekistan on May 27, 2020.
20. “Parliament” means the Recipient’s Parliament (*Oliy Majlis*).
21. “PPP Law” means the Recipient’s “Public Private Partnership Law”, dated May 5, 2019, and published in the National Database of Legislation of the Republic of Uzbekistan on May 11, 2019.

22. “President’s Decree No. UP-5877” means the Recipient’s decree of the same number dated November 18, 2019 and published in the National Database of Legislation of the Republic of Uzbekistan on November 19, 2020.
23. “President’s Decree No. UP-5984” means the Recipient’s decree of the same number dated April 22, 2020 and published in the National Database of Legislation of the Republic of Uzbekistan on April 22, 2020.
24. “President’s Decree No. UP-5992” means the Recipient’s decree of the same number dated May 12, 2020 and published in the National Database of Legislation of the Republic of Uzbekistan on May 13, 2020.
25. “President’s Decree No. UP-5996” means the Recipient’s decree of the same number dated May 18, 2020 and published in the National Database of Legislation of the Republic of Uzbekistan on May 19, 2020.
26. “President’s Decree No. UP-6096” means the Recipient’s decree of the same number dated October 27, 2020 and published in the National Database of Legislation of the Republic of Uzbekistan on October 28, 2020.
27. “President’s Resolution No. PP-4487” means the Recipient’s resolution of the same number dated October 9, 2019 and transmitted to the Association on December 16, 2019.
28. “President’s Resolution No. PP-4797” means the Recipient’s resolution of the same number dated August 4, 2020 and published in the National Database of Legislation of the Republic of Uzbekistan on August 5, 2020.
29. “President’s Resolution No. PP-4633” means the Recipient’s resolution of the same number dated March 6, 2020 and published in the National Database of Legislation of the Republic of Uzbekistan on March 7, 2020.
30. “President’s Resolution No. PP-4664” means the Recipient’s resolution of the same number dated April 4, 2020 and published in the National Database of Legislation of the Republic of Uzbekistan on April 4, 2020.
31. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated November 9, 2020 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association 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.

32. “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.
33. “Single Registry of Social Protection” means the Recipient’s registry established pursuant to Recipient’s Cabinet of Ministers Resolution No. 309 dated April 13, 2019 and published on the National Database of Legislation of the Republic of Uzbekistan on April 15, 2019.
34. “Single Withdrawal Tranche” means the amount of the Financing 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.
35. “State Budget” means the Recipient’s national budget.
36. “Treasury Single Account System” means the Recipient’s single treasury accounts held at the CBU in UZS and foreign currency and used to make payments for the budgeted expenditures.
37. “Uzbekistan Fund for Reconstruction and Development” or “UFRD” means the Recipient’s fund established pursuant to Recipient’s Decree No. UP-3751 dated May 11, 2006.
38. “Uzbekistan som” or “UZS” means the lawful currency of Uzbekistan.