
CREDIT NUMBER 7014-UZ

Financing Agreement

(Accelerating Uzbekistan's Transition Development Policy Financing)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

CREDIT NUMBER 7014-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 credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of two hundred fifty million Dollars (\$250,000,000) (variously, “Credit” and “Financing”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. 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plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.
- 2.04. The Interest Charge is 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percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.

- 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 2 to this Agreement.
- 2.07. The Payment Currency is Dollar.
- 2.08. 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
Mustakilik Square 5
Tashkent 100008
Republic of Uzbekistan; and

(b) the Recipient's Electronic Address is:

Telex:	Facsimile:
11 6360 IK BOL	(998-71) 233-7073
	(998-71) 239-1259

- 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-2021

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Tatiana Proskuryakova

Title: Country Director for Central Asia

Date: 16-Dec-2021

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

1. In accordance with the Recipient's agricultural modernization strategy to increase climate resilience and eliminate state-controlled agricultural production, the Recipient 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 Recipient 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 Recipient'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 Recipient 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 Recipient 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 Recipient 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 Recipient 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 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 single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in USD)
(1) Single Withdrawal Tranche	250,000,000
TOTAL AMOUNT	250,000,000

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 a dedicated account in USD ("Foreign Currency Dedicated Account") at the CBU; and
- (b) all withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Dedicated Account. Upon deposit of the 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, 2023.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15:	
commencing February 15, 2027 to and including August 15, 2046	1.65%
commencing February 15, 2047 to and including August 15, 2051	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.

APPENDIX

Definitions

1. 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.
2. “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.
3. “Budget Code of the Republic of Uzbekistan” means the Recipient’s Law on Budget Code No. ZRU-360, dated December 26, 2013, as amended on October 29, 2021.
4. “Cabinet of Ministers’ Decision No. 544” means the Recipient’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”.
5. “Cabinet of Ministers Letter 02/49365/1-2357” means the Recipient’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.
6. “Cabinet of Ministers Letter 02/25858/1-609” means the Recipient’s Cabinet of Ministers’ letter of the same number dated November 12, 2021 submitting to the Parliament for approval the draft Law on Public Debt.
7. “Central Bank of Uzbekistan” or “CBU” means the central bank of the Recipient.
8. “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.
9. “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.

10. “Foreign Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
11. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020 and April 1, 2021).
12. “Law of the Republic of Uzbekistan No. ZRU-660” means the Recipient’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”.
13. “Law of the Republic of Uzbekistan No. ZRU-695” means the Recipient’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”.
14. “Loan Agreement” means the loan agreement for the Project between the Recipient and the Bank, dated the same date as this Agreement, as such loan agreement may be amended from time to time. “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.
15. “Letter of the Ministry of Employment and Labor Relations No. 01/00-02/13-12578” means the Recipient’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.
16. “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>.
17. “Parliament” means the Recipient’s Parliament (*Oliy Majlis*).
18. “Presidential Resolution No. PP-10” means the Recipient’s resolution of the same number dated November 15, 2021 and transmitted to the Bank on November 16, 2021.
19. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated November 12, 2021 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.

20. "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.
21. "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.
22. "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.
23. "UZS" means the Recipient's currency.