

Public Disclosure Authorized

# OFFICIAL DOCUMENTS

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PORTION "A" CREDIT NUMBER 5916-UZ  
PORTION "B" CREDIT NUMBER 5917-UZ

## Financing Agreement

(Modernization and Upgrade of Transmission Substations Project)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 20, 2017

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**PORTION "A" CREDIT NUMBER 5916-UZ  
PORTION "B" CREDIT NUMBER 5917-UZ**

**FINANCING AGREEMENT**

AGREEMENT dated September 20, 2017, entered into between the 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 the amount of fifty eight million Dollars (\$58,000,000) (variously, "Credit" and "Financing") in two portions: (a) thirty nine million one hundred sixty thousand Dollars (\$39,160,000) ("Portion A of the Credit" or "IDA 5916-UZ"); and (b) eighteen million eight hundred forty thousand Dollars (\$18,840,000) ("Portion B of the Credit" or "IDA 5917-UZ", 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment; and (b) three-fourths of one percent (3/4 of 1%) per annum.

- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance of Portion A of the Credit (IDA 5916-UZ) shall be equal to the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment; and (b) zero percent (0%) per annum. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance of Portion B of the Credit (IDA 5917-UZ) shall be equal to one point forty three percent (1.43 %) per annum.
- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. 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 IV of the General Conditions and the Project Agreement.
- 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 the following:

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 its obligations under the Project Agreement.

- 4.02. The Additional Event of Acceleration consists of the following:

The event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) 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 Project Operational Manual satisfactory to the Association.
  - (c) The Loan 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 Additional Legal Matter consists of the following:
- The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.
- 5.04. For purposes of Section 8.05 (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 date of this Agreement.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

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

6.02. The Recipient's Address is:

Ministry of Finance  
Mustakilik Square 5  
Tashkent 100008  
Republic of Uzbekistan

Telex:

Facsimile:

11 6360 IK BOL

(998-71) 233-7073

(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

Telex:

Facsimile:


248423 (MCI)

1-202-477-6391

AGREED at New York City, United States of America, as of the day and year first above written.

REPUBLIC OF UZBEKISTAN

By:

  
\_\_\_\_\_  
Authorized Representative

Name: DJAMSHID KUCHKAROV

Title: DEPUTY PRIME MINISTER

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

  
\_\_\_\_\_  
Authorized Representative

Name: LILIA BURUNCIUC

Title: COUNTRY DIRECTOR  
EUROPE AND CENTRAL ASIA REGION

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve the technical efficiency and reliability of the power transmission networks in Uzbekistan.

The Project consists of the following parts:

#### Part 1: Electricity Transmission System Upgrade

- (a) Rehabilitation and upgrade of not less than 22 high priority transmission substations.
- (b) Establishment of an emergency outage management system through acquisition of one or two 110 kV/medium-voltage mobile substations and emergency restoration system for speedy repair of outages in high voltage transmission lines.

#### Part 2: Institutional Development and Technical Assistance

- (a) Assistance with conducting key electricity sector studies, including feasibility studies for future investment projects in the sector and other key sectoral studies that might be identified during the Project implementation.
- (b) Strengthening the Project Implementing Entity's and other sector entities' capacity in new technologies to facilitate modernization of the assets and practices in the sector, system planning and operations, certification on the International Financial Reporting Standards (IFRS) implementation, implementing emergency response, and in other areas as needed.
- (c) Strengthening the Project Implementing Entity's capacity in financial management and in its transition to the full IFRS across the company and for the Project management, including carrying out the Project and the Project Implementing Entity audit.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

The Recipient shall cause the Project Implementing Entity:

- (a) to maintain during the entire Project implementation period, the Project Management Unit for the purposes of day-to-day Project management, monitoring and evaluation with functions, terms of reference and resources acceptable to the Association.
- (b) (i) to prepare and adopt the Project Operational Manual, satisfactory to the Association, and setting out, *inter alia*, the institutional, disbursement, procurement and financial management (including Project-related internal control, budgeting, external auditing, financial reporting and accounting policies and procedures) arrangements for the implementation of the Project; (ii) to 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.

##### 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 ("Subsidiary Agreement"), under terms and conditions acceptable to the Association, which shall include the following:
  - (a) the principal amount of the Financing made available under the Subsidiary Agreement ("Subsidiary Financing") shall be denominated in Dollars;
  - (b) a commitment charge shall be paid on the unwithdrawn amount of the Subsidiary Financing at a rate equal to the rate payable by the Recipient from time to time pursuant to Section 2.03 of this Agreement;
  - (c) an interest charge on the principal amount of the Subsidiary Financing withdrawn and outstanding from time to time shall be paid at the rate equal to the interest rate payable by the Recipient pursuant to Section 2.05 of



this Agreement plus an additional payment not to exceed 0.2% of the Subsidiary Financing withdrawn and outstanding from time to time, as may be agreed between the Recipient and the Project Implementing Entity upon prior approval by the Association; and

- (d) the Subsidiary Financing shall be repayable in semi-annual installments over a period not exceeding twenty-five (25) years from the date of the Subsidiary Agreement, inclusive of a grace period not exceeding five (5) years.
2. The Recipient shall exercise its rights and carry out its obligations 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. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**D. Safeguards**

1. The Recipient shall cause the Project Implementing Entity to implement the Project in accordance with the Environmental and Social Management Framework and, to that end, if any activity under the Project would require the adoption of an Environmental Management Plan, shall cause the Project Implementing Entity to:
- (a) (i) prepare such Environmental Management Plan in accordance with the ESMF; (ii) furnish such EMP to the Association for review and approval; and (iii) thereafter adopt such EMP prior to implementation of the activity; and
  - (b) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such EMP.
2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall cause the Project Implementing Entity to regularly collect, compile and furnish to the Association reports in form and substance satisfactory to the Association on the status of compliance with the ESMF and EMPs, as part of the Project Reports, giving details of:
- (a) measures taken in furtherance of the ESMF and EMPs;

- (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESMF and EMPs; and
  - (c) remedial measures taken or required to be taken to address such conditions.
3. In the event that any provision of the ESMF or an EMP shall conflict with any provision of this Agreement or the Project Agreement, the provisions of this Agreement or the Project Agreement shall prevail.

## **Section II. Project Monitoring Reporting and Evaluation**

### **A. Project Reports**

The Recipient shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 (b) of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar quarter, 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 cause the Project Implementing Entity to maintain a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entity to 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 cause the Project Implementing Entity to 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 (6) months after the end of such period.

## **Section III. Procurement**

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.

**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:

<b>Category</b>	<b>Amount of Portion A of the Credit Allocated (expressed in USD)</b>	<b>Amount of Portion B of the Credit Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (exclusive of Taxes other than Withheld Taxes)</b>
(1) Goods, works, non-consulting services, and consultants’ services for the Project	39,160,000	18,840,000	100%
<b>TOTAL AMOUNT</b>	<u>39,160,000</u>	<u>18,840,000</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, except that withdrawals from Portion A of the Credit up to an aggregate amount not to exceed \$3,000,000 may be made for payments made prior to this date but on or after November 15, 2016, for Eligible Expenditures.
2. The Closing Date is December 31, 2022.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (Portion A of the Credit and Portion B of the Credit) (expressed as a percentage)*</b>
On each March 15 and September 15:	
commencing March 15, 2022 to and including September 15, 2031	1.65%
commencing March 15, 2032 to and including September 15, 2041	3.35%

\* 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

### Section I. 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. “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 IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Recipients” dated January 2011 (revised July 2014).
6. “Environmental and Social Management Framework” or “ESMF” means the Environmental and Social Management Framework prepared by the Project Implementing Entity for the purposes of the Project that outlines environmental assessment procedures and mitigation requirements to avoid, minimize or mitigate potential negative environmental and related social impacts caused by implementation of the Project disclosed by the Recipient on January 20, 2016, and at the Bank’s *Infoshop* on January 24, 2016, as may be updated as necessary during Project implementation with the Association’s prior written approval.
7. “Environmental Management Plan” or “EMP” means a site specific environmental management plan as may be required pursuant to ESMF to avoid, minimize or mitigate potential negative environmental and related social impacts caused by implementation of the Project.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

9. "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.
10. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Recipients" dated January 2011 (revised July 2014).
11. "Procurement Plan" means the Recipient's procurement plan for the Project, dated October 19, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
12. "Project Implementing Entity" means joint stock company UZBEKENERGO, a legal entity responsible for implementing the Project established pursuant to the Decree of the President of the Republic of Uzbekistan No. VII-2812 dated February 22, 2001, and the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 93 dated February 24, 2001, and existing under the laws of the Republic of Uzbekistan, and includes its successors and permitted assignees.
13. "Project Implementing Entity's Legislation" means the Decree of the President of the Republic of Uzbekistan No. VII-2812 dated February 22, 2001 and the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 93 dated February 24, 2001, and associated documentation establishing, governing, or otherwise regulating the Project Implementing Entity.
14. "Project Management Unit" or "PMU" means the Project Management Unit established by the Project Implementing Entity for the purposes of day-to-day Project management, monitoring and evaluation and referred to in Section I. A of Schedule 2 to this Agreement.
15. "Project Operational Manual" or "POM" means the Project Operations 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.
16. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.

17. “Subsidiary Financing” means the principal amount of the Financing made available by the Recipient to the Project Implementing Entity under the Subsidiary Agreement.
18. “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.

**Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. *Service Charge and Interest Charge*

  - (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
  - (b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”
2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b).”
4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).