

EU TF GRANT NUMBER TF0A7910

EU Grant Agreement

(EU Grant for Horticulture Development Project)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *September 7*, 2018

EU GRANT AGREEMENT

AGREEMENT dated September 7, 2018, entered into between: REPUBLIC OF UZBEKISTAN (“Recipient”); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”) acting as an administrator of the funds provided by the European Commission (“Donor”) under the Parallel EC - World Bank Partnership Program for Europe and Central Asia Programmatic Single-Donor Trust Fund (TF072780).

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The “Standard Conditions for Grants Made by the World Bank Out of Various Funds”, dated February 15, 2012 (“Standard Conditions”), 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 Standard Conditions or in this Agreement (including Appendix).

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project through RRA in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount not to exceed nineteen million five hundred thousand Euro (EUR 19,500,000) (“Grant”) to assist in financing the Project.

- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV Additional Remedies

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:
- (a) the Project Implementation Plan has been amended, suspended, repealed or waived without the Bank's prior approval; and
 - (b) the RRA's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the RRA to perform any of its obligations under this Agreement.

Article V Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.

- (a) The execution and delivery of this Agreement on behalf of the Recipient has been duly authorized or ratified by all necessary governmental action.
- (b) 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) has been fulfilled.

5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. *Termination for Failure to Become Effective.* This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI Recipient's Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Istiqlol street, 29
Tashkent 100017
Republic of Uzbekistan;

Telex:	Facsimile:
11 6360 IK BOL	(998-71) 239-1252 (998-71) 244-5643

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

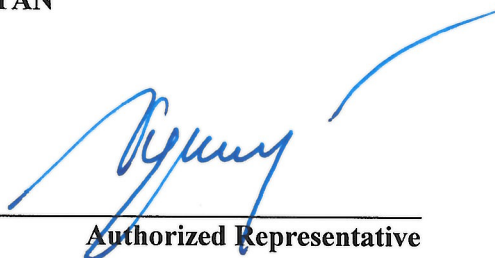
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex:	Facsimile:
248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED at Tashkent Uzbekistan, as of the day and year first above written.

REPUBLIC OF UZBEKISTAN

By



Authorized Representative

Name: Djamshid Kuchkarov

Title: Deputy Prime Minister

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: HIDEKI HORI

Title: Country Manager

SCHEDULE 1

Project Description

The objective of the Project is to enhance the productivity and profitability of horticulture sector in the project area.

The Project consists of the following parts:

1. **Research and Genetic Capacity Strengthening.** Strengthening the capacity of Participating Research Institutes and plant protection services to conduct research and genetic material multiplication. The activities include, *inter alia*:

- (a) Improvement of laboratory facilities by supplying laboratory equipment and train the laboratory staff to improve the quality of soil testing and pest and disease identification and prevention;
- (b) Development of pest surveillance maps on horticulture crops;
- (c) Introduction of new variety of horticultural crops and maintenance of traditional/resilient varieties;
- (d) Provision of staff training on horticultural value chains; and
- (e) Establishment of a modern seed storage facility.

2. **Farmers access to technologies, information and markets.** Enhancing the capacity of selected farmers to improve their access to modern and eco-technologies, information and markets. The activities include, *inter alia*:

- (a) Establishment of demonstration plots (e.g. open field and greenhouse vegetables and potatoes, fruits & berries, post-harvest and storage) for the selected farmers willing to innovate through the introduction of energy/resource-saving technologies and organic production and other elements of technologies and detailed technological guidance on how to apply new technologies;
- (b) Development of modular training programs on greenhouse vegetables and potatoes, fruits and berries production techniques, organic production techniques, post harvesting management and storage methods as well as all issues related to record keeping and marketing to help selected farmers improve efficiency of their businesses and quality of their production. Modules will also cover all elements of production such as organic production, soil and water conservation, energy saving technologies, mitigation measures at salinized areas and value chains;
- (c) Establishment of the association/centre for supporting producers of seeds, seedlings, saplings and horticulture products to encourage technological innovation for production, packing, storing and processing and support the development and extension of applied research for the horticultural sector;

- (d) (i) Promotion of partnerships between producers, processors and traders; (ii) farmer participation in national and international trade events; and (iii) studies to learn about successful horticultural policies as well as learning missions to selected EU countries to facilitate peer-to-peer exchanges (farmers, research institutions, ministries among other pertinent players); and
- (e) Establishment of a knowledge management and market information system aimed to collect, organize, analyse and disseminate data on the horticulture value chain development.

3. **Improve Safety of fresh and processed horticulture products and bringing it into line with International Standards.** Improving the country's fresh and processed horticulture products safety management system, as well as ensuring its regulatory harmonization with international food safety requirements. The activities include, *inter alia*:

- (a) An assessment of the country's export and domestic marketing policies and the subsequent development of recommendations to improve national policies;
- (b) A study/research to determine: (i) gaps between current domestic fresh and processed horticulture products safety rules/regulations and practices in the field; (ii) gaps between current fresh and processed horticulture products safety practices and required international standards, and (iii) impact of these gaps on the country's economy and society as a whole, as well as proposed actions and activities to bridge these gaps;
- (c) Development of manuals on quality management and packaging requirements for various products in selected countries where products from the Recipient's territory are or could be potentially sold;
- (d) Learning missions to selected countries - including EU countries- to familiarize the Recipient's selected officials and technical specialists with regulatory frameworks and the ways/methods food safety risks are evaluated, managed and communicated;
- (e) Assist food processing companies to implement environmental, social, and food safety practices in line with international best practices; and
- (f) Public awareness training and seminars, extensive media campaign, and publications.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements.

1. *Rural Restructuring Agency (RRA)*

The Recipient shall maintain the RRA until completion of the Project, with staff, resources and terms of reference satisfactory to the Bank and assign to it responsibility for overall Project management and coordination including: (a) preparation and submission to the Bank, by February 1 of each year, for its review and concurrence, of an annual work program for the Project for the following calendar year, including procurement and financing plans; (b) maintenance of Project financial records and accounts; (c) preparation of applications for withdrawal of the proceeds of the Grant; (d) preparation of bidding and contract documents and management of procurement procedures under the Project, including coordination of the recruitment of foreign and national consultants required for the Project implementation; (e) supervision of implementation of work programs under the Project; and (f) preparation and submission to the Bank of semi-annual reports on the progress of Project implementation.

2. *Project Implementation Plan*

The Recipient, through RRA, shall carry out the Project in accordance with the requirements and procedures set forth or referred to in the Project Implementation Plan and shall not amend, suspend, repeal or waive their provisions without the Bank's prior approval.

D. Safeguards.

Environmental and Social Management Framework

1. The Recipient, through RRA, shall implement the Project pursuant to the ESMF in a manner satisfactory to the Bank and shall provide the Bank with a summary status of its implementation, including results from environmental monitoring, as part of Project Reports or when specifically requested by the Bank, and, to that end, if any activity under the Project would require the adoption of any site-specific ESMP, shall:

- (a) (i) prepare such ESMP in accordance with the ESMF; and (ii) thereafter adopt such ESMP 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 ESMP.
2. The Recipient shall ensure that the Project is implemented in compliance with applicable laws and regulations on child and forced labor, including ensuring such compliance by the PFIs and Beneficiaries.
3. The Recipient, through RRA, shall ensure that the Project activities under the Project will not include any land acquisition, displacement of people, and construction of new or rehabilitation of existing dams.

TPM and Feedback Mechanism

4. The Recipient, through RRA, shall take all necessary actions, and ensure that necessary actions are taken, to enable the TPM Consultant to perform monitoring activities in accordance with the applicable terms of reference, including but not limited to allowing and facilitating for the TPM Consultant to visit sites where the Project is being carried out, collect relevant data and communicate with Project stakeholders and participants.
5. The Recipient shall: (a) review and discuss with the World Bank monitoring reports prepared by the TPM Consultant; and (b) promptly take any actions, as may be requested by the World Bank upon its review of said reports, with respect to compliance with the undertakings relating to child and/or forced labor as set forth in this Agreement and the Project Implementation Plan.
6. The Recipient: (a) shall and shall cause respective local authorities to fully collaborate with the TPM Consultant in developing an effective grievance redress mechanism in connection with the Project activities or within the Project Area, as set forth in the TPM Consultant's terms of reference; (b) shall review biannual reports of the TPM Consultant on grievances received, redress mechanism and any feedback provided; and (c) shall promptly implement or cause relevant local authorities to implement the recommendations provided in said reports.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of 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 and as of July 1, 2016 ("Anti-Corruption Guidelines").

D. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor's support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donor to visit any part of the Recipient's territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Documents; Records

In addition and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

- (a) all records evidencing expenditures under the Project are retained for seven years and six (6) months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient's financial and narrative progress reports submitted to the World Bank; (iii) the Recipient's financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient's implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and
- (b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donor.

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

All consulting services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the “World Bank Procurement Regulations for IPF Borrowers” dated July 2016, revised November 2017 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Project (“Procurement Plan”) dated February 23, 2018 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the World Bank 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 Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (EUR)	Percentage of Expenditures to be Financed (exclusive of Taxes other than Withheld Taxes)
Goods, Works Consulting and Non-consulting services, Training, and Incremental Operating Costs	19,500,000	100%
TOTAL AMOUNT	19,500,000	

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 referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2020.

APPENDIX

Definitions

1. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
2. “Environmental and Social Impact Assessment” or “ESIA” means the Borrower’s environmental and social impact assessment acceptable to the Bank, prepared or to be prepared during the Project implementation in accordance with the ESMF identifying and assessing the potential environmental and social impacts of a proposed Sub-project, evaluating alternatives, and designing appropriate mitigation, management, and monitoring measures; the “Environmental and Social Impact Assessments” or “ESIAs” means the plural thereof.
3. “ESMP” means the Borrower’s site-specific environmental and social management plan, acceptable to the Bank prepared or to be prepared during the Project implementation in accordance with the ESMF and approved by the Bank, describing environmental mitigation, monitoring and institutional measures for any Sub-project under the Project; the “ESMPs” means the plural thereof.
4. “Environmental and Social Management Framework” or “ESMF” means the Borrower’s Environmental Management Framework, updated and disclosed by the Borrower on November 26, 2017 and disclosed by the Bank’s website on November 30, 2017, satisfactory to the Bank, describing the environmental mitigation, monitoring and institutional measures under the Project and referred to in Section I.D of Schedule 2 to this Agreement and outlining the procedures for: (a) screening Sub-projects based on their expected impacts on the natural and social environment, assigning a project environmental category, and defining a need for environmental assessment as part of procedure for preparing ESMP(s); (b) Environmental Guidelines including *inter alia*: (i) rules and procedures for Environmental and Social Impact Assessments (ESIAs); (ii) environmental impacts of the Project; (iii) generic mitigation measures to be undertaken; (iv) monitoring plan format including, *inter alia*, monitoring indicators, timing, methods; (v) institutional responsibilities in all phases of the Project’s implementation; (vi) disclosure and consultation requirements; and (c) provisions for preparation of simple pest/pesticide management plans that outlines the procedures for ensuring the safe handling, storage and use of pesticides and promotion of integrated pest management as an alternative option for the use of pesticides.
5. “FBM” “Feedback Mechanism” means the system aimed to receive grievances on alleged child and forced labor occurrences that might be associated with the Project activities or within the Project Area, to be carried out by the TPM Consultant in accordance with the relevant terms of reference approved by the Bank.

6. “Incremental Operating Costs” means the incremental expenses incurred by the RRA on account of Project implementation, management, monitoring and supervision, including office supplies, office equipment maintenance, communication, local travel, vehicles operation and maintenance, reasonable expenses for accident insurance of RRA staff and for third party liability insurance of RRA drivers, reasonable commercial bank charges, salaries of the support staff of RRA, (including the uniform social charges and the applicable income tax retained at the source but excluding salaries of civil servants of the Recipient), as such expenditures are set forth in the RRA semi-annual budget, satisfactory to the World Bank and such other expenditures as may be agreed upon by the World Bank.
7. “Institute for Fruit Growing, Viticulture and Winemaking” or “MIRZAVEV” means the institute for growing, viticulture and winemaking, an academic institution established pursuant to the Resolution of President of the Republic of Uzbekistan No.2125 dated February 10, 2014, or any successor thereto.
8. “Loan Agreement” means the agreement between the International Bank for Reconstruction and Development and the Recipient dated May 17, 2018 for the purpose of providing additional financing for the Horticulture Development Project (Loan No. 8824-UZ).
9. “Participating Research Institutes” means, collectively, the Institute for Fruit Growing, Viticulture and Winemaking (MIRZAVEV); the Research Institute for Vegetables, Melons and Potatoes (RIVMP); and the Scientific Research Institute for Plant Protection (UzNIIZR); and any other research institute selected in accordance with the criteria set forth in the Project Implementation Plan and acceptable to the Bank.
10. “Research Institute for Vegetables, Melons and Potatoes” or “RIVMP” means the institute for vegetables, melons and potatoes, an academic institution established pursuant to the Resolution of President of the Republic of Uzbekistan No.2125 dated February 10, 2014, or any successor thereto.
11. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017.
12. “Project Area” means the following Recipient’s regions: Andijon; Bukhara; Jizzak; Ferghana; Kashkadarya; Karakalpakstan; Khorezm; Namangan; Navoiy; Samarkand; Syrdarya; Surhandarya; and Tashkent, and such other regions as may be agreed from time to time between the Recipient and the Bank.
13. “Project Implementation Plan” means the plan referred to in Part A.2 of Schedule 2 to this Agreement that has been updated and adopted by the Recipient pursuant to Section 5.01 of the Loan Agreement, setting forth, *inter alia*, the institutional,

disbursement, procurement and financial management arrangements for the implementation of the Project and updated for the purposes of this Project.

14. “RRA” means the Rural Restructuring Agency, an independent administrative body operating under the Borrower’s Ministry of Agriculture, or any successor thereto.
15. “RRA Legislation” means the Decree of the Cabinet of Ministers of the Republic of Uzbekistan No. 356 dated August 19, 1998.
16. “Scientific Research Institute for Plant Protection” or “UzNIIZR” means the institute for plant protection, an academic institution established pursuant to the Resolution of the President of the Republic of Uzbekistan No.2640 dated October 24, 2016, or any successor thereto.
17. “TPM” or “Third Party Monitoring” means monitoring activity (including, *inter alia*: periodic site visits; assessments of local context and conditions; interviews, awareness raising, training and preparation of reports) to be carried out by a TPM Consultant with the purpose of detecting any occurrence of child and forced labor in connection with the Project activities or within the Project Area, and confirming compliance with applicable laws and regulations on child and forced labor, all in accordance with the relevant terms of reference approved by the Bank.
18. “TPM Consultant” means a firm or organization, with internationally recognized expertise in social audit and monitoring and evaluation of development projects, to be engaged by the Bank for carrying out TPM and FBM in accordance with the relevant terms of reference approved by the Bank.
19. “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.