
CREDIT NUMBER 5741-UZ

Financing Agreement

(Climate Adaptation and Mitigation Program for Aral Sea Basin)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 13, 2017

CREDIT NUMBER 5741 -UZ

FINANCING AGREEMENT

AGREEMENT dated March 13, 2017, entered into between the REPUBLIC OF UZBEKISTAN ("Recipient") and the 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 ("Financing") in an amount equivalent to ten million Special Drawing Rights (SDR 10,000,000) ("Credit") to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are March 15 and September 15 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 objectives of the Project. To this end, the Recipient shall carry out Component 2 and Subcomponent 3.2 of the Project in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV- REMEDIES OF THE ASSOCIATION

- 4.01 The Additional Events of Suspension consist of the following:
 - (a) The Project Operational Manual has been amended, suspended, repealed or waived without the Association's prior approval.
 - (b) The Association has received evidence, that it considers credible, of the use of child or forced labor in connection with the Project activities or within the Project Area.
 - (c) The Association has suspended, in whole or in part, the right of EC-IFAS to make withdrawals under the Financing Agreement (EC-IFAS), or the right of the Republic of Tajikistan to make withdrawals under the Financing Agreement (Republic of Tajikistan) because of a failure of the EC-IFAS, or Republic of Tajikistan, as the case may be, to perform any of its obligations under such agreement.
- 4.02 The Additional Event of Acceleration consists of the following, namely, that any event specified in Section 4.01(a) or (b) of this Agreement occurs.

ARTICLE V— EFFECTIVENESS; TERMINATION

- 5.01 The Additional Conditions of Effectiveness consist of the following:

- (a) The Financing Agreement (EC-IFAS) 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.
 - (b) The Project Operational Manual (POM), and Line of Credit Operational Manual, acceptable to the Association, have been adopted by the RRA.
- 5.02 The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. 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 the Minister of Finance.

- 6.02. The Recipient's Address is:

Ministry of Finance
Mustakilik Square 5
Tashkent 100008
Republic of Uzbekistan

(998-71) 244-5643
(998-71) 239-1259

- 6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Almaty, Republic of Kazakhstan on December 15, 2016, and
at Tashkent, Republic of Uzbekistan on March 13, 2017.

REPUBLIC OF UZBEKISTAN

By

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Authorized Representative

Name: Batir Khodjaev

Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By


Authorized Representative

Name: Lilia Burunciuc

Title: Regional Director

SCHEDULE 1

Project Description

The objective of the Project is to enhance regionally coordinated access to improved climate change knowledge services for key stakeholders (e.g., policy makers, communities, and civil society) in participating Central Asian countries as well as to increase investments and capacity building that, combined, will address climate challenges common to these countries.

The Project consists of the following components:

Component 1: Regional Climate Knowledge Services

Develop a unified, regional analytical platform for climate resilient and low emissions development in Central Asia through:

- (a) establishment of the regional information platform for Central Asia through provision of technical assistance, goods (including software and equipment), consulting services and training and carrying out of minor civil works;
- (b) upgrading of climate-related monitoring systems for Participating Countries;
- (c) development of methodologies, approaches and tools to support climate-related decision making;
- (d) development of knowledge products, such as specialized analytical work, made available via, *inter alia*, web portals, mobile apps, publications;
- (e) capacity building through regional training, e-learning events, internships and study tours;
- (f) development of a mechanism to assess the results and lessons of climate investments implemented under Subcomponent 2.1 below, including through establishment of a pool of experts to evaluate the Sub-projects accomplished under Subcomponent 2.1;
- (g) design and implementation of a communications and public engagement strategy, including through climate knowledge fora and networks, to support knowledge dissemination, public outreach and coalition building.

Component 2: Regional Climate Investment Facility

Subcomponent 2.1: Investment Financing

Increase productivity and address climate change by promoting the adoption of climate-resilient and mitigation measures in rural production, land management and other areas through establishing and operating credit line facilities for the provision of financing, through Subsidiary Loans, to PFIs, through Sub-loans to Sub-borrowers to carry out the Sub-Projects, for scaling up suitable practices and technologies to improve climate resilience, risk reduction and mitigation and economic and social benefits.

Subcomponent 2.2: Capacity Building and Community Support

- (a) Support awareness raising, participatory planning and implementation support of climate investment plans at the community- level through community level participatory appraisals and community action plans, identification and design of appropriate investment plans, and building of the technical and organizational capacities of communities to implement their investments.
- (b) Support Facilitating Organizations to provide technical advisory services to potential beneficiaries under Subcomponent 2.1.
- (c) Provide capacity building of the PFIs through technical assistance in the area of assessment of climate investment proposals.

Component 3: Regional and National Coordination

Subcomponent 3.1: Regional Coordination

Provide project management support to the Regional Coordination Unit for implementation of Component 1, including procurement, disbursements, financial management, monitoring and evaluation of Project performance, as well as Incremental Operating Costs.

Subcomponent 3.2: National Coordination

Provide project management support to the National Coordination Units for implementation of Component 2, including procurement, disbursements, financial management, monitoring and evaluation of Project performance, safeguards oversight as well as Incremental Operating Costs.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall carry out Component 2 and Subcomponent 3.2 of the Project through RRA, in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Project Operational Manual, Line of Credit Operational Manual and the Environmental Management Framework (EMF), and shall not assign, amend, abrogate or waive any provisions of the Project Operational Manual, Line of Credit Operational Manual or the EMF without prior approval of the Association.
2. The Recipient shall maintain the NCU within RRA throughout the duration of the Project, and shall ensure that the NCU is adequately staffed by personnel and consultants with qualifications and under terms of reference and functions, at all times in accordance with procedures necessary and appropriate for the carrying out of the Project.
3. No later than thirty (30) days from the Effective Date, Recipient shall cause RRA to sign a contract for retention of a credit specialist to assist PFIs with execution of Subcomponent 2.1 of the Project.
4. No later than sixty (60) days from the Effective Date, the Recipient shall identify the appropriate mechanism for establishing a focal point or a focal group and establish said focal point or focal group for: (a) coordination and collaboration with EC-IFAS, RCU, NCU and/or the Steering Committee for implementation of Component 1 of the Project; and (b) supporting inter-agency dialogue and regional coordination of Part 2.1 and 3.2 of the Project, throughout the life of the Project, all in accordance with the provisions set forth in the Project Operational Manual.
5. The Recipient shall ensure that RRA's financial and accounting unit carries out the financial management and disbursement functions related to Subcomponent 2.2 and 3.2 of the Project.
6. For purposes of implementation of Subcomponent 2.2 of the Project, the Recipient, through the RRA, shall: (i) select Facilitating Organizations based on the criteria set forth in the Project Operational Manual; and (ii) execute a contract with each Facilitating Organization for carrying out the activities under Subcomponent 2.2 of the Project, and such contracts shall contain terms and conditions satisfactory to the Association.

7. The Recipient shall: (a) cause the established focal point or focal group, and the NCU to coordinate and collaborate with the EC-IFAS, RCU and the Steering Committee for implementation of Component 1 of the Project, in accordance with the provisions set forth in the Project Operational Manual; and (b) afford all reasonable opportunity for representatives of EC-IFAS, the RCU and the Steering Committee to visit any part of its territory for purposes related to Component 1 of the Project.
8. The Recipient shall cause the RRA, within thirty (30) days of the Effective Date, to: (a) sign a contract for adaptation of the accounting software acceptable to the Association for Project accounting, budgeting and reporting; and (b) make provisions for adequate training on the new accounting system for the effective use by its accounting staff and the financial management consultant.
9. The Recipient shall, within one hundred and twenty (120) days of the Effective Date, in consultation with the stakeholders and the potential Project Beneficiaries, establish and maintain a Grievance Redress Mechanism, in accordance with procedures and guidelines set forth in the POM, and acceptable to the Association.

B. Anti-Corruption

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

C. Terms and Conditions of On-Lending to PFIs

C.1 PFI Eligibility Criteria

1. For the purposes of carrying out Subcomponent 2.1 of the Project, the Recipient, through RRA, shall select eligible PFIs in accordance with the criteria and procedures set forth in the Line of Credit Operational Manual and on terms and conditions referred to in this Section of this Agreement. Such criteria shall include, without limitation, the requirements that eligible PFIs: (a) in case of a PFI other than a Leasing Company, comply with national banking law, accounting practices and prudential norms and regulations and maintain sound lending policies and procedures; and (b) in case of a Leasing Company, comply with applicable leasing regulations of the Recipient, accounting practices and prudential norms and regulations and maintain sound lending policies and procedures.

C.2 Conditions of Subsidiary Loan Agreements

2. The Recipient shall make Subsidiary Loans to eligible PFIs for on-lending part of the Financing for Sub-Projects to be implemented by Sub-borrowers under Subcomponent 2.1 under Subsidiary Loan Agreements to be entered into between the Recipient and each eligible PFI on terms and conditions including the

following, and except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any of its provisions:

- (a) The Recipient shall have the right to: (i) suspend or terminate the right of the PFI to use the proceeds of the Subsidiary Loan, or obtain a refund of all or any part of the amount of the Subsidiary Loan then withdrawn, upon the PFI's failure to perform any of its obligations under the Subsidiary Loan Agreement; and (ii) require each Sub-borrowers under the respective Sub-Loan Agreement to perform obligations set forth in Section C.4 of this Schedule.
- (b) The Subsidiary Loans to eligible PFIs shall be made available in Sum and U.S. Dollars. The Subsidiary Loans shall carry up to twenty (20) year maturity, including a five (5) year grace period, which can be extended upon the eligible PFIs meeting the performance conditions, acceptable to the Association.
- (c) Interest shall be charged on the outstanding balances of the Subsidiary Loans at rates acceptable to the Association.
- (d) The PFIs shall set their own interest rates and repayment terms to Sub-borrowers based on their individual financing considerations.
- (e) The PFIs shall carry out appraisal of Sub-projects and Sub-borrowers based on the agreed criteria, and will bear the full risk of loan repayment. Appraisal of Sub-projects shall include: (i) environmental screening of the proposed activities and determining what type of the environmental impact assessment has to be carried out by the Sub-borrower; (ii) reviewing and approving the EA and associated EMPs, as specified in the EMF; (iii) conducting, as needed, environmental monitoring and supervision and ensuring EMPs implementation; and (iv) screening of Sub-project proposals and Sub-borrowers to ensure compliance with national laws and regulations on child and forced labor. The first three Category B Sub-projects proposed to be approved by each PFI shall be subject to prior review and approval of the Association.
- (f) The PFI shall select Sub-Projects and Sub-borrowers in accordance with the procedures and criteria set forth in the POM and the Line of Credit Operational Manual including those set out in Section C.3 of this Schedule and enter into Sub-Loan Agreement in accordance with Section C.4 of this Schedule prior to making any proceeds of the Financing available to any Sub-borrower.

- (g) Each PFI shall be responsible for monitoring implementation of Sub-projects and ensuring compliance of Sub-borrower with any applicable laws and regulations on child and forced labor. In case of established non-compliance with laws and regulations on child and forced labor by a Sub-borrower utilizing the Sub-loan from a PFI, the Recipient shall:
 - (i) cancel from the Subsidiary Loan concerned an amount equal to the undisbursed portion of said Sub-loan;
 - (ii) require the PFI to refund/repay (notwithstanding the term for repayment of the Subsidiary Loan) an amount equal to the disbursed portion of the Sub-loan and upon the Recipient's receipt of said refund/repayment, the Recipient shall cancel the same; and
 - (iii) disqualify the PFI from receiving any new Subsidiary Loans under Subcomponent 2.1 of the Project,

all in accordance with the relevant criteria and provisions established in the Line of Credit Operational Manual.

- 3. The Recipient, through RRA, shall obtain the Association's technical prior review and approval of: (a) the first three Sub-loans, irrespective of the amount of the Sub-loan; and (b) all Sub-loans in an amount exceeding USD150,000 equivalent.
- 4. The Recipient shall exercise its rights under each Subsidiary Loan Agreement in such manner as to protect the interest of the Recipient and the Association and to accomplish the purposes of the Project, and perform its obligations in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of financing proceeds other than the Recipient.

C.3 Sub-Project Eligibility Criteria

- 5. Eligible Sub-projects under Component 2.1 of the Project shall include: (a) crop diversification, climate-resilient seed varieties, and seed system support measures; (b) on-farm water resource management and efficiency improvement measures; (c) livestock production improvements (livestock and poultry farming, apiculture); (d) rehabilitation of degraded lands and land degradation control through agro-forestry and rangeland management measures; (e) promotion of stability and sustainability of mountain ecosystems and livelihoods; (f) conservation agriculture; (g) agro-products processing; (h) energy efficiency improvements (e.g., insulation, lighting, etc.); (i) expansion of renewable energy sources, particularly for those communities in remote rural areas; and (j) other suitable Sub-project type in line with the objective of the project and in accordance with the Line of Credit Operational Manual.

6. Sub-Projects shall not include and Sub-loans shall not finance any Excluded Activities.

C.4 Terms and Conditions of Sub-loans

7. Each PFI shall enter into a Sub-Project Agreement with each of the Sub-borrowers under Subcomponent 2.1 of the Project, which will comply with the terms and conditions set forth in the Line of Credit Operational Manual, and which will include the following terms conditions, without limitation:
 - (a) The Sub-borrower shall ensure that Sub-loan funds are used exclusively for the purposes specified in Paragraph 5 above and in the Line of Credit Operational Manual.
 - (b) The maximum amount of Sub-loan made available to an individual Sub-borrower does not exceed USD500,000 equivalent.
 - (c) The Sub-borrower shall provide no less than twenty percent (20%) of the total cost of the Sub-project.
 - (d) The Sub-borrower shall comply with national legislation on child and forced labor.
 - (e) In case of established non-compliance with laws and regulations on child and forced labor by a Sub-borrower utilizing the Sub-loan from a respective PFI, the PFI shall:
 - (i) cancel the undisbursed portion of the Sub-loan; and
 - (ii) require the Sub-borrower concerned to refund/repay (notwithstanding the term for repayment of the Sub-loan) the disbursed portion of the Sub-loan and upon receipt of the refund/repayment shall cancel the same,all in accordance with the relevant criteria and provisions established in the Line of Credit Operational Manual.
 - (f) Sub-borrowers shall carry out environmental impact assessments and prepare EMPs when necessary, both in accordance with the EMF, and shall carry out Sub-projects in accordance with the respective EMP.
 - (g) Sub-borrowers shall: (i) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental, health and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines and national labor

legislation; (ii) comply with the requirements of applicable laws and regulations on child and forced labor; (iii) provide, promptly as needed, the resources required for the purpose; (iv) procure the goods, works and services to be financed out of the Sub-loan in accordance with the provisions of this Agreement and the Line of Credit Operational Manual; (v) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives; (vi)(1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) maintain financial records and be able to promptly report on the financial issues pertaining to the Sub-borrowers relating to the Sub-project; (vii) enable the Recipient and the Association to inspect the Sub-project site, its operation and any relevant records and documents; and (viii) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

D. Safeguards

1. The Recipient, through the RRA and the PFIs shall: (i) carry out Component 2 in accordance with the EMF; (ii) prior to the commencement of works on any site under Component 1 of the Project, carry out the EA in accordance with the EMF and prepare any EMP as may be required under and in accordance with EMF, provided that the EMP for the first three Category B Sub-Projects shall be subject to the Association's prior review; (iii) thereafter, implement the EMP in a manner satisfactory to the Association; and (iv) not amend, suspend, abrogate or waive any provisions of the respective EAs and associated EMPs without the prior approval of the Association.
2. The Recipient shall ensure, when any activity under a Sub-project will involve any international waterway (as defined in the Association's OP 7.50), that:
 - (a) such activity shall be limited to ongoing schemes, projects involving additions or alterations that require rehabilitation, construction, or other changes that: (i) will not adversely change the quality or quantity of water flows to the other riparian; and (ii) will not be adversely affected by the other riparian's possible water use; and
 - (b) such activity shall be limited to only minor additions or alterations to the ongoing scheme and it does not cover works and activities that would exceed the original scheme, change its nature, or so alter or expand its scope and extent as to make it appear new or different scheme.

3. The Recipient shall ensure that the Project is implemented in accordance with applicable environmental and social standards and practices and in compliance with applicable laws and regulations on child and forced labor.
4. The Recipient shall ensure that the requirements in the POM are complied with before carrying out any Project activity or commencing any works on land that is being donated for purposes of the activities and/or works.

E. TPM and Grievance Redress Mechanism

1. The Recipient shall take all necessary actions to enable the TPM Consultant to perform its activities in accordance with the applicable terms of reference, including but not limited to allowing and facilitating for the TPM Consultant to visit and monitor the Project Area, collect relevant data and communicate with Project stakeholders and beneficiaries.
2. The Recipient shall: (a) review and discuss with the Association, monitoring reports prepared by the TPM Consultant; and (b) promptly take any actions, as may be requested by the Association upon its review of said reports, with respect to compliance with the undertakings relating to child and forced labor as set forth in this Agreement, the Project Operational Manual and the EMF.
3. The Recipient: (a) shall, and shall cause respective local authorities, to fully collaborate with the TPM Consultant in developing an effective feedback mechanism in connection with the Project activities, 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of Component 2 and Subcomponent 3.2 of the Project, and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient, through the RRA, shall ensure that interim unaudited financial reports for Component 2 and Subcomponent 3.2 of the Project are prepared and furnished to the Association not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, with the first reports being submitted after the end of the first full quarter following initial disbursement, in form and substance satisfactory to the Association.
3. The Recipient, through the RRA, shall have its Financial Statements for Component 2 and Subcomponent 3.2 of the Project audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each such 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 World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for Component 2 and Subcomponent 3.2 of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for Component 2 and Subcomponent 3.2 of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods of procurement, other than International Competitive Bidding, may be used for goods, works and non-consulting services for those contracts specified in the Procurement Plan:
 - (a) National Competitive Bidding, subject to the additional provisions set forth in Appendix B to this Schedule 2;
 - (b) Shopping;
 - (c) Direct contracting;
 - (d) Force Account;
 - (e) Community Participation Procedures set forth in the Project Operational Manual;
 - (f) Commercial Practices acceptable to the Association; and
 - (g) Procurement from United Nations Agencies.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Least Cost Selection; (c) Selection based on Consultants' Qualifications; (d) Selection under a Fixed Budget; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; (g) Single-source procedures for the Selection of Individual Consultants; and (h) Selection of UN Agencies following paragraph 3.15 of Consultant Guidelines.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient:

- (a) may withdraw the proceeds of the Financing in accordance with the provisions of: (i) Article II of the General Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures (exclusive of taxes, except Withheld Taxes) as set forth in the table in paragraph 2 below; and
- (b) pursuant to Section 6.01 of the General Conditions, hereby requests the Association to immediately cancel an amount equal to the Sub-loan that is deemed an ineligible expenditure pursuant to Section IV.A(2)(b) of this Schedule.

- 2. (a) The 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) Notwithstanding the foregoing, the following is not eligible for financing out of the proceeds of the Financing, namely, any Sub-loan for any Sub-project that utilizes child or forced labor, in contravention to the applicable laws and regulations of Recipient on child and forced labor.

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (exclusive of taxes, except Withheld Taxes)
(1) Sub- loans under Component 2.1 of the Project	9,030,000	100% of Sub-loans disbursed
(2) Goods, works, consultants' services, non-consulting services, Incremental Operating Costs and Training for Components 2.2 and 3.2	970,000	100%
TOTAL AMOUNT	<u>10,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is April 30, 2021.

ANNEX TO SCHEDULE 2

National Competitive Bidding

The National Competitive Bidding procedures of the Recipient may be used for procurement under the Project provided that the following provisions are complied with:

1. General

The Recipient represents that the procedures to be followed for National Competitive Bidding under Section III, Part B, paragraph 2 of Schedule 2 to this Agreement shall be those set forth in Resolution of the Recipient's Cabinet of Ministers, No. 456, dated November 21, 2000, with the clarifications set forth in the following paragraphs required for compliance with the provisions of the Procurement Guidelines.

2. (a) Bidding shall not be restricted to pre-registered firms.
- (b) Where registration is required, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.
- (c) Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register.
3. Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids.
4. When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the pre-qualification documents.
5. Government-owned enterprises of the Recipient shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial terms and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid performance security requirements as other bidders.

6. Purchasers shall use the appropriate standard bidding documents for the procurement of goods, works or non-consulting services, acceptable to the Association.
7.
 - (a) Bids shall be opened in public, immediately after the deadline for submission of bids.
 - (b) Evaluation of bids shall be made in strict adherence to the monetarily quantifiable criteria declared in the bidding documents.
 - (c) Contracts shall be awarded to the qualified bidder having submitted the lowest evaluated substantially responsive bid and no negotiation shall take place.
 - (d) Price verification should not be applied to Association-financed contracts.
8. Civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause, acceptable to the Association.
9.
 - (a) All bids shall not be rejected and new bids solicited without the Association's prior concurrence.
 - (b) When the number of bids received is less than three (3), re-bidding shall not be carried out without the Association's prior concurrence.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15	
commencing March 15, 2021 to and including September 15, 2030	1.65%
commencing March 15, 2031 to and including September 15, 2040	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

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. “Beneficiary” means a Sub-borrower.
3. “CAREC” means the Regional Environmental Centre for Central Asia, an international organization established by Kyrgyz Republic, Turkmenistan, the Republic of Tajikistan, Republic of Kazakhstan and the Republic of Uzbekistan, European Commission and the United Nations Development Program, in accordance with a decision of the Fourth Pan-European Conference held in 1998 in Aarhus, Denmark, and headquartered in Almaty, Republic of Kazakhstan.
4. “Category B Sub-projects” are Sub-projects carried out under component 2.1 of the Project that fall within Category B of the Association’s environmental assessment, and as defined in the EMF.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
6. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.
7. “EAs” means the site-specific environmental assessments, to be prepared and implemented by the Recipient pursuant to the EMF and Schedule 2, Section I(D) of this Agreement, and satisfactory to the Association, in respect of works to be undertaken by a Sub-borrower under a respective Sub-project defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of activities under the Project, together with an environmental and social baseline for each site, details of the relevant environmental legislative framework, adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time with the Association’s prior written approval; and “EA” refers to one of the above-referenced EAs.

8. “EC- IFAS” means the Executive Committee of the International Fund for Saving the Aral Sea, established by the resolution of the President of IFAS, the President of the Republic of Uzbekistan, I. Karimov, dated August 2, 2013.
9. “Excluded Activities” means, collectively:
 - (a) any of the activities listed, or activities that produce and/or use materials listed, in the Project Operational Manual and which are classified and referred to as part of the negative list in said manual;
 - (b) an investment that is classified as a Category “A” Sub-project in accordance with the provisions of the Operations Manual;
 - (c) an investment that entails land acquisition or involuntary resettlement or would give rise to Displaced Persons;
 - (d) an investment related to cotton production;
 - (e) an investment utilizing child or forced labor, in contravention to the applicable laws and regulations of Recipient on child and forced labor;
 - (d) an investment that involves the potential use of, or discharge into, international waterways (or detailed design and engineering studies of such investment), as such waterways shall have been described more specifically in the Operations Manual; and
 - (e) an investment that involves the construction of a new dam or new canals or head works that will increase water extraction from main sources.
10. “Financing Agreement (EC-IFAS)” means the Financing Agreement of even date between the EC-IFAS and Association provided for the Project by Association in an amount of ten million seven hundred thousand Special Drawing Rights (SDR 10,700,000) to implement Component 1 and Subcomponent 3.1 of the Project.
11. “Financing Agreement (Tajikistan)” means the Financing Agreement of even date between the Republic of Tajikistan and Association provided for the Project by Association in an amount of six million four hundred thousand Special Drawing Rights (SDR 6,400,000) to implement Component 2 and Subcomponent 3.2 of the Project.
12. “EMF” means the environmental management framework, dated May 11, 2015 prepared and adopted by the Recipient, disclosed in the World Bank’s Infoshop on May 14, 2015, referred to in Schedule 2, Section I(D) of this Agreement, and satisfactory to the Association describing the rules, guidelines and procedures to assess environmental impacts of the Project’s activities and defining measures to

reduce, mitigate or offset adverse environmental impacts and enhance the positive impacts of the Project's activities, including a section on pest management-related risks and mitigation measures, as the same shall be amended from time to time with the prior approval of the Association.

13. "Environmental Management Plans" or "EMPs" means the Subproject-specific documents, contained in each site-specific EA, to be prepared and adopted by the Recipient pursuant to the EMF and Schedule 2, Section I(D) of this Agreement, and satisfactory to the Association, in respect of works to be undertaken by the Recipient under the Project defining details of measures to manage potential environmental risks, as the same may be amended and supplemented from time to time with the Association's prior written approval; and "EMP" refers to one of the above-referenced EMPs.
14. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31. 2010.
15. "Grievance Redress Mechanism" or "GRM" means the system aimed to receive grievances occurrence of which may be associated with Project activities (including alleged child and forced labor) to be carried out in accordance with the terms set forth in the POM.
16. "Incremental Operating Costs" means incremental operating costs incurred by the RRA on account of Project implementation, management and monitoring, including salaries of RRA staff who are not civil servants, cost of office and equipment maintenance and repair, vehicles, vehicle maintenance and repair, fuel, local travel, communication, translation and interpretation, bank charges, social charges, and other miscellaneous costs directly associated with the Project, all based on periodic budgets acceptable to the Association.
17. "Leasing Company" means a company registered and operating in accordance with the applicable laws and regulations of the Recipient pertaining to companies, while at the same time licensed to engage in transactions that include transactions qualifying as leasing in accordance with the applicable laws and regulations of the Recipient pertaining to leasing.
18. "Line of Credit Operational Manual" means the set of rules and regulations, acceptable to the Association, to be adopted by the Recipient for the implementation of Subcomponent 2.1 of the Project, in the form and substance acceptable to the Association, as the same may be amended from time to time with the agreement of the Association.
19. "NCU" or "National Coordination Unit" means the project implementation unit operated within RRA, responsible for the implementation of Component 2 of the Project.

20. "Participating Countries" means Republic of Tajikistan and Republic of Uzbekistan, both participating in the Climate Adaptation and Mitigation Program for the Aral Sea Basin.
21. "Participating Financial Institution" or "PFI" means a participating and prequalified commercial banking sector or a Leasing Company which meets the criteria set forth in the Line of Credit Operational Manual, selected for the provision of Sub-loans under Component 2.1 of the Project. "PFIs" mean a group of such institutions collectively.
22. "Project Area" means the geographical region of the Recipient where Component 2 is being executed, as identified in the Project Operational Manual.
23. "Facilitating Organizations" means adequately experienced and suitably qualified organizations properly registered and operating in the territory of the Recipient, acceptable to the Association, selected in accordance with the Project Operational Manual, and contracted by the RRA pursuant to Schedule 2, Section I.A. (6) to support Sub-Borrowers for the purposes of Subcomponent 2.2 of the Project, and "Facilitating Organization" means any of them.
24. "Project Operational Manual" or "POM" means the manual, adopted by the Recipient, pursuant to Section 5.01(c) of this Agreement, and satisfactory to the Association, setting forth the operational and administrative responsibilities, procedures and rules for the implementation of the Project, including a manual of financial procedures, consistent with the provisions of this Agreement and with the national laws and regulations of the Recipient, as the same may be amended and supplemented from time to time with the Association's prior written approval.
25. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
26. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 27, 2015 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.
27. "RCU" means the Regional Coordination Unit operated within CAREC, responsible for the implementation of Component 1 of the Project, including the coordination of the National Coordination Units in each of Republic of Tajikistan and Republic of Uzbekistan.
28. "RRA" means the Rural Restructuring Agency, an independent administrative body operating under the Ministry of Agriculture and Water Resources, or any legal successor thereto.

29. “Steering Committee” means a committee established by EC-IFAS, with the terms of reference acceptable to the Association, to provide strategic guidance for implementation of Component 1 of the Project, including putting forward and recommending activities to be implemented under Component 1 of the Project.
30. “Sub-borrower” means an individual or legal entity that satisfies the criteria set forth in the POM and to which a PFI proposes to make a Sub-loan under Subcomponent 2.1 of the Project.
31. “Sub-loan” means financing made or proposed to be made by the PFI to the Sub-borrowers out of the proceeds of the Financing allocated from time to time to Category (1) of the table set forth in paragraph 2 of Section IV.A of Schedule 2 of this Agreement, for purposes of financing all or a portion of the expenditures incurred by a Sub-borrower for goods, works, non-consulting services and consultants’ services under a Sub-Project.
32. “Sub-Project Agreement” means an agreement entered into between a PFI and a Sub-borrower under Subcomponent 2.1 of the Project, for the purpose of financing, in part or in full, as the case may be, expenditures of a Sub-Project.
33. “Subsidiary Loan” means a loan provided by the Recipient to a selected eligible PFI, in accordance with the terms and conditions of the respective Subsidiary Loan Agreement.
34. “Subsidiary Loan Agreement” means an agreement between the Recipient and the respective PFI for the purpose of implementation of Subcomponent 2.1 of the Project.
35. “Sub-project” means a specific project or activity selected by the Recipient in accordance with the eligibility criteria and procedures set forth in the Project Operational Manual and financed by a Sub-loan pursuant to a respective Sub-Project Agreement.
36. “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 Association.
37. “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 Association for carrying out TPM and GRM in accordance with the relevant terms of reference approved by the Association.

38. "Training" means expenditures for the Project related to study tours, training courses, seminars, workshops and other training activities not included under goods or service providers' contracts, including costs of training materials, space and equipment rental, travel and *per diem* costs of trainees and trainers.
39. "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.

