Financing Agreement

(South Karakalpakstan Water Resources Management Improvement Project)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 29, 2014
FINANCING AGREEMENT

AGREEMENT dated October 29, 2014, 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 in an amount equivalent to one hundred fifty six million nine hundred thousand Special Drawing Rights (SDR 156,900,000) (variously, "Credit" and "Financing") 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 May 15 and November 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 Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through MAWR 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; and

(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.

4.02. The Additional Event of Acceleration consists of the following, namely, that any event specified in Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The Project Operational Manual satisfactory to the Association has been adopted by the Recipient.

(b) The PIU: (i) has been staffed with the professionals indicated in the Project Operational Manual (all in numbers and with experience and terms of reference satisfactory to the Association); and (ii) has updated
its accounting software in accordance with the technical requirements and specifications set forth in the Project Operational Manual.

(c) The Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to request disbursement thereunder, except only the effectiveness of this Agreement, have been fulfilled.

5.02. The Effectiveness Deadline is the date one hundred and twenty (120) 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 years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister of Finance of the Recipient.

6.02. The Recipient’s Address is:

   Ministry of Finance  
   Mustakilik Square 5  
   Tashkent 100008  
   Republic of Uzbekistan

   Telex: 11 6360 IK BOL
   Facsimile: (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: INDEEVAS
   Telex: 248423 (MCI)
   Facsimile: 1-202-477-6391
AGREED at Urgench, Republic of Uzbekistan, as of the day and year first above written.

REPUBLIC OF UZBEKISTAN

By

[Signature]

Authorized Representative

Name: R. Azimov
Title: 1st DPM and Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Saroj Kumar Jha
Title: Regional Director
SCHEDULE 1

Project Description

The objective of the Project is to restore irrigation and improve water management in the Project Area in a sustainable and financially efficient manner.

The Project consists of the following parts:

Part 1: Modernization of the Irrigation Network

1. Improvement of the irrigation infrastructure through, inter alia: (i) improving sections of the Right Bank Canal; (ii) constructing the Bustan Canal; and (iii) reprofiling and rehabilitating existing main and secondary canals, including Pakhta-Arna, Keltaminor, Old Bozyap and Bogyap canals.

2. Installation and implementation of SCADA through the provision of goods, consultants' services and Training, based on the criteria and methodology set forth in the Project Operational Manual.

3. Support for: (A) the implementation of the safeguard mitigation measures provided in the: (i) ESAMP; (ii) RPF; (iii) Bustan RAP and the RAP(s) prepared in connection with the Project (including the provision of Compensation); (B) the carrying out of a dam failure mode study to analyze the impact on the Tuyamuyun Dam of a catastrophic event upstream; and (C) dismantling of pumping stations within the Project Area.

Part 2: Modernization of Agriculture

1. Institutional strengthening of local water resource management institutions (including Amu Darya BVO, LABAIS, PAN-ISA and KKME) through the provision of goods and Training.

2. Support for crop intensification and diversification through: (A) capacity strengthening of selected farmers and WCAs through Demonstrations, FFS, and the provision of goods and Training on, inter alia, irrigation and drainage management and improved agricultural practices; (B) facilitation services for farmers to access lines of credit; and (C) provision of modern tools and maintenance equipment to WCAs to undertake on-farm maintenance activities.

3. Support the cotton harvest mechanization through: (A) the acquisition and provision of mechanized cotton harvesters to be used in accordance with the criteria set forth in the Project Operational Manual; (B) provision of cleaning equipment to ginneries; and (C) strengthening capacity to operate and maintain the cotton harvest
machinery and to adopt crop husbandry methods which are appropriate for cotton mechanization.

4. Support the development and carrying out of communications strategies and public awareness raising campaigns on Project-related data and information, including on the issues relating to child and or forced labor.

Part 3: Project Management, Monitoring and Evaluation

1. Strengthening the MAWR’s and PIU’s capacity for Project management, monitoring and evaluation (including, \textit{inter alia}, the areas of procurement and financial management) through the provision of goods, consultant services, Training, and financing of Incremental Operating Costs.

2. Support the preparation of a feasibility study and bidding documents for follow-up investment activities.

3. Development of a comprehensive management information and data collection and reporting system on the Project’s key performance outputs and impact indicators through, \textit{inter alia}, baseline surveys; participatory assessments; mid-term reviews; and final evaluations.

4. Support the preparation of a strategy for water resources management in the lower Amu Darya area.

5. Development of operating rules for the Tuyamuyun Dam reflecting the fact that, following the dismantling of pumping stations under Part 1.3(C) of the Project, water releases to serve downstream pumping station won’t be required.

6. Provision of technical assistance to assist the Recipient in developing a strategy for agricultural diversification away from cotton.

7. Carrying out of a study on the necessary requirements and arrangements to certify that cotton produced in the Recipient’s territory complies with applicable laws and regulations on child and forced labor.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall operate and maintain the PIU until completion of the Project with staff (including the professionals specified in Section 5.01(b) of this Agreement), resources and terms of reference satisfactory to the Association.

2. Not later than 30 days after the Effective Date, the Recipient shall establish and thereafter maintain until completion of the Project, the KPCC and the FCC, both with functions, composition and terms of reference set forth in the Project Operational Manual and satisfactory to the Association in order to assist with the Project’s implementation.

3. The Recipient, through MAWR, shall carry out the Project in accordance with this Agreement and the Project Operational Manual and shall not amend, suspend, abrogate, repeal or waive any provision of said Manual without the prior written approval of 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. Safeguards

Environmental and Social Standards

1. (a) The Recipient shall ensure that the Project is implemented in accordance with applicable environment and social standards and practices and in compliance with applicable laws and regulations on child and forced labor.

(b) Without limitations to the provisions of paragraph (a) above, the Recipient shall, at the beginning of the cotton harvesting season during each year of Project implementation, instruct any involved local authorities within the Project Area to ensure strict compliance with applicable laws and regulations on child and forced labor while organizing cotton harvesting.

2. The Recipient, through the PIU, shall carry out Parts 1.1(i) and 1.1(iii) of the Project in accordance with the ESAMP, the RPF and the RAP(s), and shall not
amend, suspend, abrogate, repeal or waive any provision of said Plans or Framework without the prior written approval of the Association.

Resettlement and ESAMP

3. The Recipient, through the PIU, shall carry out Part 1.1(ii) of the Project in accordance with the Bustan RAP, and shall not amend, suspend, abrogate, repeal or waive any provision of said Plan without the prior written approval of the Association. In particular, the Recipient shall ensure that:

(a) all necessary actions are taken to minimize, to the extent possible, any involuntary loss by Affected Persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently;

(b) all rights to land, usufructs or customary rights and other property are allocated or acquired, equitable Compensation thereof is paid and resettlement is carried out in accordance with the principles and institutional procedures established in the Bustan RAP;

(c) Affected Persons shall be equitably compensated, resettled and rehabilitated in accordance with the Bustan RAP;

(d) the implementation arrangements for resettlement, including Compensation, relocation and rehabilitation of Affected Persons are documented; and

(e) the implementation, monitoring and evaluation of the Bustan RAP is completed and reported in a manner satisfactory to the Association.

4. Without limitation to the provisions of Section C.2 of this Schedule, for purposes of Parts 1.1(i), 1.1(ii) and 1.1(iii) of the Project and prior to the contracting of works for each proposed site, the Recipient, through the PIU, shall: (a) submit to the Association for its prior approval: (i) the proposed design and site for said works and, where required by the respective ESAMP, RPF and local legislation, as applicable, any related environmental licenses and permits required under local legislation and site-specific RAP(s) (including any procedures for valuation, Compensation and other assistance to be provided), said site-specific plans and licenses and permits; and (ii) the proposed contract for said works to ensure that the provisions of the ESAMP and said site-specific plans are adequately included in said contract; and (b) ensure that such works are carried out in accordance with the respective ESAMP, RPF and RAP.
5. The Recipient shall not commence any works for a specific part of the Project Area requiring resettlement and/or land acquisition under the Project until the respective RAP for said part of the Project Area is fully implemented.

_Dam Safety_

6. The Recipient, through MAWR, shall carry out, in a manner acceptable to the Association and under the terms and conditions set forth in the Project Operational Manual, the following activities to improve the performance and safety of the Tuyamuyun Dam: (i) prepare, prior to the second dam safety inspection to be carried out during the last year of project implementation (or at any other date agreed upon by the Recipient and the Association), a dam safety plan; (ii) replace eight radial gates on the spillway; (iii) carry out routine maintenance works; (iv) carry out a bathymetric survey of the reservoir; (v) install a seismograph at the dam’s site; and (vi) carry out reinforcing works for the Sultansanjar embankment.

_TPM and Feedback Mechanism_

7. 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.

8. 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 ESAMP.

9. 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 the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General
Conditions and on the basis of the 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.

2. The Recipient shall prepare annual Project reports and annual work plans in form and substance acceptable to the Association and under the terms and conditions set forth in the Project Operational Manual.

3. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months after the Closing Date.

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. Without limitation on the provisions of Part A of this Section, the Recipient shall 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 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 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 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 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, other than International Competitive Bidding, may be used for procurement of 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 the Annex to this Schedule 2; (b) Shopping; (c) Direct Contracting; (d) Commercial Practices for Sub-projects under Part 2 of the Project; (e) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association.

**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) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (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; and (g) Single-source procedures for the Selection of Individual Consultants.

**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 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (exclusive of taxes, except Withheld Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants’ services and Training under the Project</td>
<td>150,080,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Compensation under Part 1.3(A) of the Project</td>
<td>4,760,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incremental Operating Costs under Part 3 of the Project</td>
<td>2,060,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>156,900,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this paragraph:

(a) the term “Training” means reasonable expenditures (other than those for Goods and Consultants’ services), as approved by the Association, incurred for the carrying out of training activities under the Project, including, *inter alia*, reasonable costs of travel and *per diem* of trainers and trainees, cost of
workshops, rental of training facilities and equipment and training materials, all based on a semi-annual budget acceptable to the Association;

(b) the term “Compensation” means any amount to be paid by the Recipient out of the proceeds of the Credit to the Affected Persons in accordance with the provisions of the Bustan RAP and the RAP(s); and

(c) the term “Incremental Operating Costs” means the incremental expenses incurred by the PIU on account of Project implementation, management, monitoring and supervision (as such expenditures are set forth in the PIU semi-annual budget acceptable by the Association), including office supplies, office equipment maintenance, rental of office space, utility bills, communication, advertisement of procurement bids, reasonable local commercial banks charges, software maintenance, local travel, vehicles operation and maintenance, reasonable expenses for accident insurance of PIU staff and for third party liability insurance of PIU drivers, and salaries of the PIU staff (including the uniform social charges and the applicable income tax retained at the source but excluding salaries of civil servants of the Recipient), and any other incremental expense incurred by the PIU on account of Project implementation, provided that all said expenses are deemed acceptable to the Association.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
   (a) for payments made prior to the date of this Agreement; and
   (b) for payments under Category (2), unless the Association has received satisfactory evidence from the Recipient (through the PIU) that Compensation to Affected Persons has been determined in compliance with the Bustan RAP or the RAP(s).

2. The Closing Date is September 30, 2021.

Section V. Other Undertakings

1. The Recipient shall ensure that: (a) the Restored Area shall not be subject to the Recipient’s procurement cotton quota established on a yearly basis by the following Recipient’s Tumans: Beruni; Ellikala; and Turtkul; and (b) the Cotton Production Area shall not expand throughout the Project’s implementation.

2. Upon completion of the activities under Part 1.1 of the Project, the Recipient shall: (a) dismantle the pumping stations currently managed by the UNS within a timeframe agreed upon with the Association; and (b) take appropriate actions to
abolish the UNS and complete its closure within a timeframe agreed upon with the Association.

3. For the purposes of the UNS closure referred to in paragraph 2 above, the Recipient shall: (a) ensure that as many UNS Staff as possible will continue to be employed under terms and conditions acceptable to the Association; (b) develop a Retrenchment Action Plan in accordance with the Retrenchment Framework, satisfactory to the Association; and (c) carry out retrenchment of the UNS Staff in accordance with the provisions of the Retrenchment Action Plan, including providing Severance Payments to the eligible UNS Staff in accordance with the terms and procedures set forth in the Retrenchment Action Plan.

4. Not later than December 31, 2015 (or any other date agreed upon by the Recipient and the Association), the Recipient shall install real-time flow measuring stations at the off-take from the Amu Darya River into the Project Area and in each of the two escape canals releasing water from the Project Area into the Amu Darya River, and thereafter shall: (a) monitor water abstractions and release flows during Project implementation; and (b) share the related data with the Amu Darya BVO based on the frequency and criteria set forth in the Project Operational Manual.

5. Not later than December 31, 2014 (or any other date agreed upon by the Recipient and the Association), the Recipient shall enter into an agreement (or two agreements if necessary) with Uzpakhtasanoat (and/or any other entity agreed upon by the Recipient and the Association), in form and substance satisfactory to the Association, which shall define, inter alia, the terms of providing cotton harvesting equipment and services and other associated equipment to be purchased under Part 2.3 of the Project to Uzpakhtasanoat (and/or any other entity agreed upon by the Recipient and the Association), including the obligation of Uzpakhtasanoat (and/or any other entity agreed upon by the Borrower and the Bank) to make available said equipment and services in the Project Area for the purposes of cotton harvesting mechanization, all in accordance with the criteria set forth in the Project Operational Manual.
ANNEX TO
SCHEDULE 2

National Competitive Bidding

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 the Financing Agreement shall be those set forth in Resolution of the Cabinet of Ministers of the Republic of Uzbekistan 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. Registration

   (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 shall be given a reasonable opportunity to register.

3. Advertising

   Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of 30 days for the preparation and submission of bids.

4. Pre-qualification

   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 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. **Participation by Government-owned enterprises**

Government-owned enterprises in the Republic of Uzbekistan shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law 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. **Bidding Documents**

Purchasers shall use the appropriate standard bidding documents for the procurement of goods, works or services, acceptable to the Association.

7. **Bid Opening and Bid Evaluation**

   (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 the Association-financed contracts.

8. **Price Adjustment**

Civil works contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

9. **Rejection of Bids**

   (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, re-bidding shall not be carried out without the Association’s prior concurrence.
**SCHEDULE 3**

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing November 15, 2019 to and including May 15, 2029</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing November 15, 2029 to and including May 15, 2039</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* 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. “Affected Person” means a person who on account of the acquisition of land for purposes of establishing relocation sites under Part 1.1 of the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, or interest in or right to use any land (including premises and agricultural land) or right in annual or perennial crops and trees or any other fixed or movable asset, acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently, and “Affected Persons” means, collectively, all persons who qualify as an Affected Person.

2. “Amu Darya BVO” means the Amu Darya Basin Water Organization, established pursuant to the multilateral agreement on ‘Cooperation in Joint Management and Protection of Transboundary Water Resources’ entered into by the Republic of Kazakhstan, the Republic of Kyrgyzstan, the Republic of Tajikistan, the Republic of Turkmenistan and the Republic of Uzbekistan, on February 18, 1992.


4. “Bustan RAP” means the resettlement action plan, prepared in connection with the construction of Bustan Canal under Part 1.1(ii) of the Project and approved by the Recipient through the Council of Ministers of the Republic of Karakalpakstan and dated March 11, 2013, as published in Infoshop on the same date, satisfactory to the Association.

5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


7. “Cotton Production Area” means the locations, within the Project Area, currently subject to the Recipient’s cotton procurement quota, as said locations are identified in the Project Operational Manual.

8. “Demonstrations” means demonstrative activities on how to carry out, inter alia: crop rotation and diversification; vegetable and secondary crop production; proper use of agro-chemicals; on-farm irrigation water measurement;
conservation agriculture and minimum tillage; deep ripping and land leveling/grading; and pest and salinity management and soil testing, all based on the criteria set forth in the Project Operational Manual.

9. "ESAMP" means the environmental and social assessment and management plan consisting of: (i) Environmental Assessment and Management Plan, volume 1, dated March 7, 2013 and published in Infoshop on the same date; volume 2, dated March 1, 2013 and published in Infoshop on March 7, 2013, as updated on April 9, 2014 and published in Infoshop on May 6, 2014; and volume 3, Addendum to the Environmental Assessment and Management Plan, dated March 11, 2014 and published in Infoshop on the same date, satisfactory to the Bank, which contains, *inter alia*, the environmental protection measures in respect of the Project, including measures for chance finding of cultural property, pest management, protection of natural habitats, identification of existing environmental conditions and potential direct and indirect environmental and social impacts resulting from the carrying out of the Project, recommendation of mitigation measures for each negative impact identified, as well as measures for enhancing each identified positive impact; and (ii) Social Assessment dated February 2013 and published in InfoShop on February 10, 2014 which identifies social problems and risks related to the Project, assesses potential impact on various groups and analyzes the role of beneficiaries and stakeholders in the Project, as well as attainment of social development outcomes; and the Annex to the Social Assessment focusing on child and labor issues dated March 2014 and published in InfoShop on May 5, 2014.

10. “FCC” means the Field Coordination Committee to be established by the Recipient to, *inter alia*, coordinate Project’s implementation at the district level and exchange information about Project’s activities.

11. “FBM” or “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 Association.

12. “FFS” or “Farmer Field School” means learning activities designed to foster knowledge-sharing, collaboration and solidarity among farmers in relation with community issues (including, *inter alia*, water distribution, nutrition, health and sanitation), all based on the criteria set forth in the Project Operational Manual.


14. “KKME” means the Karakalpakstan Meliorative Expedition, established by the Recipient through Decree No. 320 of July 21, 2003.
15. “KPCC” means the Karakalpak Project Coordination Council to be established by the Recipient (through the Council of Ministers of the Republic of Karakalpakstan) to provide overall management of Project’s implementation.


17. “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 agreement supplemental to the Loan Agreement.


20. “PIU” means the Project Implementation Unit, established by the Recipient (within MAWR) through Decree No. 91 of April 16, 2001, and aimed at managing Project implementation.


22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 24, 2014, 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.

23. “Project Area” means the areas within the following Tumans of the Recipient: Beruni, Ellikala and Turtkul, as said areas are geographically identified in the Project Operational Manual.

24. “Project Operational Manual” means the Project Operational Manual adopted by the Recipient pursuant to Section 5.01(a) of this Agreement, setting forth, inter alia: (a) the criteria and methodology for the installation of SCADA under Part 1.2 of the Project; (b) the terms and conditions to prepare semi-annual Project reports and annual work plans under the Project; (c) the staff to be added to the PIU; (d) the technical requirements and specifications for the PIU’s accounting software; (e) the criteria and methodology for the provision of Training under the Project; (f) the terms and conditions to carry out Part 2.2 of the Project, including the eligibility criteria to select farmers and WCAs; (g) the list of geographic locations where the Project will be carried out (Project Area); (h) the locations,
within the Project Area, where cultivation will be restored (Restored Area); (i) the locations, within the Project Area, currently subject to the Recipient’s cotton procurement quota (Cotton Production Area); (j) the functions and terms of reference of the KPCC and the FCC; (k) the financial management, procurement, disbursement, environmental management, monitoring and evaluation, and reporting arrangements for the Project; (l) the terms and conditions to carry out the activities to improve the performance and safety of the Tuyamuyun Dam under Paragraph 6 of Section I.C of Schedule 2 to this Agreement; (m) the frequency and criteria for sharing data on water abstractions and release flows with the Amu Darya BVO; (n) the criteria to carry out the Demonstrations and FFS under Part 2.2 of the Project, and (o) requirements for Project stakeholders and beneficiaries to comply with the applicable laws and regulations on child and forced labor; as said manual may be amended from time to time with prior approval of the Association.

25. “Restored Area” means the locations, within the Project Area, where cultivation will be restored pursuant to the carrying out of the activities under Part 1.1 of the Project, as said locations are identified in the Project Operational Manual.

26. “RAP(s)” means any specific resettlement action plan(s), satisfactory to the Association, prepared in accordance with the RPF in connection with the works under Parts 1.1(i) and 1.1(iii) of the Project, or any other resettlement action plan prepared for the purposes of the Project in accordance with the RPF.

27. “Retrenchment Framework” means a framework document prepared by the Recipient and approved on March 7, 2013, setting forth, inter alia: (i) the Recipient’s labor laws, including applicable laws and regulations governing layoffs of employees; (ii) eligibility criteria for compensation and payment principles; (iii) social mitigation measures; and (iv) grievance mechanism.

28. “Retrenchment Action Plan” means the plan to be prepared by the Recipient pursuant to Section V.3 of Schedule 2 to this Agreement, setting forth modalities for retrenchment of UNS Staff, including calculations for Severance Payments to the eligible UNS Staff; such plan being prepared in accordance with the provisions of the Retrenchment Framework.

29. “RPF” means the resettlement policy framework dated March 11, 2013, as published in Infoshop on the same date, satisfactory to the Association, setting forth, inter alia: (i) the description of areas covered by the Project; (ii) the legal basis and screening process for land acquisition, resettlement and land use in connection with the works to be carried out under Parts 1.1(i) and 1.1(iii) of the Project; (iii) the resettlement principles and entitlements of Project Affected Persons based on different categories of impact; (iv) the procedures for valuation, Compensation and other assistance provided to the Affected Persons, including the grievance process; (v) the responsibilities, procedures and requirements for
the development and implementation of specific resettlement action plans; and (vi) an estimate of cost of Compensation.

30. "SCADA" means a Supervisory Control and Data Acquisition system to monitor and control the operation of the irrigation system on a real-time basis.

31. "Severance Payments" means cash payments to be paid to the eligible UNS Staff in accordance with the terms and conditions of the Retrenchment Action Plan.

32. "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.

33. "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 FBM in accordance with the relevant terms of reference approved by the Association.

34. "UNS" means the Recipient’s Pumping Station Department, the agency responsible for maintenance of the pumping stations that currently serves the Project Area, as established by the Recipient through Decree No. 320 of July 21, 2003.

35. "UNS Staff" means all the personnel currently employed by the UNS, a list of which is included in the Retrenchment Framework.

36. "Uzpakhtasanoat" means the Uzbek association in charge of supervising the processing of raw cotton, established pursuant to Decree No. 2874 issued by the President of the Republic of Uzbekistan on June 6, 2001.

37. "WCA" means the Water Consumers Associations of the Recipient.

38. "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 modifications to the General Conditions are 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 remaining 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).