Financing Agreement

(Additional Financing for the Bukhara and Samarkand Sewerage Project)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 12, 2016
FINANCING AGREEMENT

Agreement dated May 13, 2016, entered into between the REPUBLIC OF UZBEKISTAN ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 seventy four million seven hundred thousand Special Drawing Rights (SDR 74,700,000) (variously, "Credit" and "Financing"), out of which: (a) sixty seven million nine hundred thousand Special Drawing Rights (SDR 67,900,000) will be extended under the terms and conditions set forth in this Agreement ("Portion A of the Credit" or "IDA 5698-UZ"); and (b) six million eight hundred thousand Special Drawing Rights (SDR 6,800,000) will be extended under the terms and conditions set forth in this Agreement ("Portion B of the Credit" or "IDA 5699-UZ", to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance of Portion A of the Credit (IDA 5698-UZ) shall be equal to one and a quarter percent (1.25%) per annum. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance of Portion B of the Credit (IDA 5699-UZ) shall be equal to one point eighty three percent (1.83%) per annum.

2.06. The Payment Dates are March 15 and September 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is United States 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: (a) Parts A.3, A.4 and C of the Project through the PCU within Uzkommmunkhizmat; and (b) cause Parts A.1 and B.1 of the Project to be carried out by BVK and Parts A.2 and B.2 of the Project to be carried out by SVK, respectively, in accordance with the provisions of Article IV of the General Conditions, the BVK Project Agreement and the SVK Project Agreement, respectively.

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 BVK Legislation or/and SVK Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of BVK and/or SVK to perform any of its obligations under the Project Agreement.
(b) BVK and/or SVK shall have failed to comply with their obligations under the pertinent Subsidiary Credit Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) The BVK Subsidiary Credit Agreement has been executed on behalf of the Recipient and the BVK.

(b) The SVK Subsidiary Credit Agreement has been executed on behalf of the Recipient and the SVK.

(c) The Project Operational Manual has been updated/amended by the Recipient in a manner satisfactory to the Association.

5.02. The Additional Legal Matters consist of the following:

(a) The BVK Subsidiary Credit Agreement has been duly authorized or ratified by the Recipient and the BVK and is legally binding upon the Recipient and the BVK in accordance with its terms.

(b) The SVK Subsidiary Credit Agreement has been duly authorized or ratified by the Recipient and the SVK and is legally binding upon the Recipient and the SVK in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister of Finance.
6.02. The Recipient’s Address is:

Ministry of Finance
Mustakilik Square 5
Tashkent 100008
Republic of Uzbekistan

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

6.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
AGREED at Tashkent, Republic of Uzbekistan, as of the day and year first above written.

REPUBLIC OF UZBEKISTAN

By

Authorized Representative

Name: Rustam Azimov
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Mariam Sherman
Title: Acting Country Director
SCHEDULE 1

Project Description

The objectives of the Project are to reduce wastewater pollution and improve the performance of utilities responsible for wastewater management in Bukhara and Samarkand.

The Project consists of the Original Project, as amended hereby, and the following parts:

Part A: Institutional Strengthening and Capacity Building

1. Institutional strengthening and capacity building of BVK and local communities through, *inter alia*: (a) provision of staff training in utility management with an emphasis on improving general management, water and wastewater systems operation, and consumer orientation; (b) design and implementation of public awareness raising campaigns and customer satisfaction surveys; and (c) improvement of internal control and accountability systems; (d) enhancement of the accounting systems of BVK; and (e) establishment of a pilot SCADA.

2. Institutional strengthening and capacity building of SVK and local communities through, *inter alia*: (a) provision of staff training in utility management with an emphasis on improving general management, water and wastewater systems operation, and consumer orientation; (b) design and implementation of public awareness raising campaigns and customer satisfaction surveys; and (c) improvement of internal control and accountability systems; (d) enhancement of the accounting systems of SVK; (e) establishment of a pilot SCADA.

3. Institutional strengthening of the Recipient’s water sector services through the provision of technical assistance to review, *inter alia*: (a) the strategy for the management and development of water sector services at the national level; (b) the technical standards applied in the supply of water sector services; and (c) the price-setting policies for said services.

4. Financing of feasibility studies for future priority (non-Project) investments in the water supply and sanitation sector of the Recipient.

Part B: Physical Investments

1. Rehabilitation of Bukhara Sewerage System, including, *inter alia*: (a) replacement of existing sewers; (b) rehabilitation of existing wastewater pumping stations and construction of an additional wastewater pumping station; (c) construction of new sewers; (d) completion of the rehabilitation and upgrading of Bukhara wastewater treatment plant;
(e) provision of operational equipment; and (f) provision of technical assistance required therefor.

2. Rehabilitation of Samarkand Sewerage System, including, *inter alia*: (a) replacement of existing sewers; (b) rehabilitation of existing wastewater pumping stations and construction of an additional wastewater pumping station; (c) construction of new sewers; (d) completion of the rehabilitation and upgrading of the Samarkand main wastewater treatment plant; (e) provision of operational equipment; (f) provision of technical assistance required therefor; and (g) construction of a new wastewater treatment plant located in Farhad.

**Part C: Project Management**

Strengthening the PCU’s, and the respective PIU’s Project management, monitoring and coordination capacity through the provision of goods, consultant services (including Project auditing services), Training, and Operating Costs.
SCHEDULE 2

Project Execution

Section I. **Implementing Arrangements**

A. **Institutional and Implementing Arrangements**

1. The Recipient shall:

   (a) maintain the Inter-Ministerial Coordination Council (IMCC) until completion of the Project with composition, terms of reference, adequate funds, facilities, services and resources satisfactory to the Association;

   (b) operate and maintain the Project Coordination Unit (the PCU), which shall be responsible for Project coordination among the IMCC, BVK, and SVK, in accordance with terms of reference, adequate funds, facilities, services and resources satisfactory to the Association, and with competent staff in adequate numbers and with qualifications acceptable to the Association;

   (c) (i) update/amend the Project Operational Manual; and (ii) thereafter carry out Parts A.3, A.4 and C of the Project and cause BVK and SVK to carry out their Respective Parts of the Project, in accordance with the Project Operational Manual;

   (d) cause BVK and SVK to carry out their Respective Parts of the Project in accordance with this Agreement and the respective Subsidiary Credit Agreement and Project Agreement;

   (e) cause BVK and SVK not to amend, suspend, abrogate, repeal or waive any provision of the Project Operational Manual without the prior written approval of the Association;

   (f) cause BVK and SVK to operate and maintain their respective PIUs at all times during Project implementation, with terms of reference, adequate funds, facilities, services and resources satisfactory to the Association, and with competent staff in adequate numbers and with qualifications acceptable to the Association; and

   (g) comply with applicable procedures for connecting individual households to sewerage systems in Bukhara and Samarkand, including provision of medium-term financing with its counter-part funds, if necessary.

2. (a) Except as the Association shall otherwise agree, the Recipient shall take all measures necessary to ensure that the BVK and SVK shall not incur any debt unless a reasonable forecast of their respective revenues and
expenditures shows that the estimated net revenues of the BVK and SVK for each fiscal year during the term of the debt to be incurred shall be at least 1.2 time their estimated debt service requirements in such year on all debt of the BVK and SVK, including the debt to be incurred ("Annual Debt Service Coverage Ratio").

(b) For the purposes of this paragraph:

(i) The term "debt" means any indebtedness of the BVK or SVK maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "net revenues" means the difference between:

(A) the sum of revenues from all sources related to operations and net non-operating income; and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and other charges on, debt.

(vi) The term "reasonable forecast" means a forecast prepared by the BVK and SVK not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Association and
the BVK or SVK, respectively, accept as reasonable and as to which the Association has notified the BVK or SVK of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the BVK or SVK, resulting in a decrease in the Annual Debt Service Coverage Ratio referred to under Section I.A.2(a) above.

(vii) Whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

3. (a) Except as the Association shall otherwise agree, the Recipient shall take measures to ensure that BVK and SVK, during Project implementation, shall be able to maintain, for each of their fiscal years after December 31, 2016 a ratio of total operating revenues to total operating expenses of at least 1.40 for BVK, and 1.35 for SVK.

(b) For the purposes of this section:

(i) the term “total operating expenses” means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding, depreciation, interest and other charges on debt; and

(ii) the term “total operating revenues” means revenues from all sources related to operations.

B. Subsidiary Credit Agreements

1. To facilitate the carrying out of their Respective Parts of the Project, the Recipient shall make part of the proceeds of the Financing (the Subsidiary Financing) available to BVK and SVK under the BVK Subsidiary Credit Agreement and the SVK Subsidiary Credit Agreement, respectively. Said Subsidiary Credit Agreements shall be executed under the terms and conditions approved by the Association, which shall include, inter alia, the following:

(a) the principal amount of the Subsidiary Financing shall be denominated in SDR and shall be repaid by the BVK and SVK to the Recipient in semi-
annual installments over twenty five (25) years, including a grace period of five (5) years;

(b) a commitment charge shall be paid on the unwithdrawn amount of the Subsidiary Financing at a rate equal to the rate payable by the Recipient from time to time pursuant to Section 2.03 of this Agreement;

(c) a service charge shall be paid on the withdrawn amount of the Subsidiary Financing at a rate equal to the rate payable by the Recipient from time to time pursuant to Section 2.04 of this Agreement; and

(d) an interest charge shall be paid on the withdrawn amount of the Subsidiary Financing at a rate equal to the rate payable by the Recipient from time to time pursuant to Section 2.05 of this Agreement.

2. The Recipient shall exercise its rights and comply with its obligations under each Subsidiary Credit Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce any Subsidiary Credit Agreement or any provisions thereof.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall, and shall cause BVK and SVK to carry out their Respective Parts of the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the RPF, RAP(s), BVK EMP and SVK EMP, respectively.

2. Prior to the commencement of any works under Parts B.1 and B.2 of the Project, the Recipient shall ensure that BVK and SVK shall:

(a) carry out said works in accordance with the provisions of the BVK EMP and the SVK EMP, respectively, all in a manner acceptable to the Association.

(b) (i) if applicable, prepare, disclose, and furnish to the Association the pertinent RAP, in accordance with the RPF; and (ii) immediately thereafter, carry out the pertinent works in accordance with the provisions of said RAP and in a manner acceptable to the Association, including full
payment of compensation and the provision of relocation assistance to Displaced Persons prior to their displacement.

3. The Recipient shall ensure that the terms of reference for any consultancy in respect of the activities under the Project shall be satisfactory to the Association following its review thereof, and to that end, such terms of reference shall duly incorporate the requirement of the Association’s Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance.

4. The Recipient shall maintain a socially inclusive grievance redress mechanism, satisfactory to the Association, in such a manner as to enable the implementation of the Project in accordance with the RPF, RAP(s), BVK EMP, and SVK EMP.

5. The Borrower shall not amend, suspend, waive or abrogate any of the provisions of the RPF, RAP(s), BVK EMP, and SVK EMP.

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 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 forty five (45) days after the end of the period covered by such report.

2. 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 (6) months prior to 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, through the PCU, 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 (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 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 the Procurement Guidelines, or 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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the additional provisions set forth</td>
</tr>
<tr>
<td>in the Annex to this Schedule 2</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
</tbody>
</table>
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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single Source Selection</td>
</tr>
<tr>
<td>(d) Selection of Individual Consultants, including Sole-Source Selection</td>
</tr>
</tbody>
</table>

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 Portion A of the Credit (IDA 5698-UZ) Allocated (expressed in SDR)</th>
<th>Amount of Portion B of the Credit (IDA 5699-UZ) 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 (including auditing services), Training and Operating Costs:</td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) for Parts A.1 and B.1 of the Project</td>
<td>34,300,000</td>
<td>3,600,000</td>
<td></td>
</tr>
<tr>
<td>(b) for Parts A.2 and B.2 of the Project</td>
<td>30,540,000</td>
<td>3,200,000</td>
<td></td>
</tr>
<tr>
<td>(2) Goods, consultants’ services (including auditing services), Training and Operating Costs under Parts A.3, A.4 and C of the Project</td>
<td>3,060,000</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>67,900,000</td>
<td>6,800,000</td>
<td></td>
</tr>
</tbody>
</table>

**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 June 30, 2019.

**Section V. Other Undertakings**

The Recipient and the Association hereby agree to amend the Original Financing Agreement as set forth in Schedule 4 to this Agreement.
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

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (Portion A of the Credit – IDA 5698-UZ and Portion B of the Credit – IDA 5699-UZ) (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15:</td>
<td></td>
</tr>
<tr>
<td>commencing September 15, 2020 to and including March 15, 2030</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing September 15, 2030 to and including March 15, 2040</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.
SCHEDULE 4

Amendments to the Original Financing Agreement

The Recipient and the Association hereby agree to amend the Original Financing Agreement to read as follows:

1. Schedule 2 to the Original Financing Agreement is hereby amended and replaced in its entirety to read as Schedule I to this Agreement.

2. Section I.A of Schedule 2 to the Original Financing Agreement is hereby amended to read in its entirety to read as follows:

   “1. The Recipient shall:

   (a) maintain the Inter-Ministerial Coordination Council (IMCC) until completion of the Project with composition, terms of reference, adequate funds, facilities, services and resources satisfactory to the Association;

   (b) operate and maintain the Project Coordination Unit (the PCU), which shall be responsible for Project coordination among the IMCC, BVK, and SVK, in accordance with terms of reference, adequate funds, facilities, services and resources satisfactory to the Association, and with competent staff in adequate numbers and with qualifications acceptable to the Association;

   (c) (i) update/amend the Project Operational Manual; and (ii) thereafter carry out Parts A.3, A.4 and C of the Project and cause BVK and SVK to carry out their Respective Parts of the Project, in accordance with the Project Operational Manual;

   (d) cause BVK and SVK to carry out their Respective Parts of the Project in accordance with this Agreement and the respective Subsidiary Credit Agreement and Project Agreement;

   (e) cause BVK and SVK not to amend, suspend, abrogate, repeal or waive any provision of the Project Operational Manual without the prior written approval of the Association;

   (f) cause BVK and SVK to operate and maintain their respective PIUs at all times during Project implementation, with terms of reference, adequate funds, facilities, services and resources satisfactory to the Association, and with competent staff in adequate numbers and with qualifications acceptable to the Association; and
(g) comply with applicable procedures for connecting individual households
to sewerage systems in Bukhara and Samarkand, including provision of
medium-term financing with its counter-part funds, if necessary.

2. (a) Except as the Association shall otherwise agree, the Recipient
shall take all measures necessary to ensure that the BVK and SVK
shall not incur any debt unless a reasonable forecast of their
respective revenues and expenditures shows that the estimated net
revenues of the BVK and SVK for each fiscal year during the term
of the debt to be incurred shall be at least 1.2 time their estimated
debt service requirements in such year on all debt of the BVK and
SVK, including the debt to be incurred (Annual Debt Service
Coverage Ratio).

(b) For the purposes of this paragraph:

(i) The term “debt” means any indebtedness of the BVK or
SVK maturing by its terms more than one year after the
date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan
contract or agreement or other instrument providing for
such debt or for the modification of its terms of payment
on the date of such contract, agreement or instrument; and
(B) under a guarantee agreement, on the date the
agreement providing for such guarantee has been entered
into.

(iii) The term “net revenues” means the difference between:

(A) the sum of revenues from all sources related to
operations and net non-operating income; and

(B) the sum of all expenses related to operations
including administration, adequate maintenance,
taxes and payments in lieu of taxes, but excluding
provision for depreciation, other non-cash
operating charges and interest and other charges
on debt.

(iv) The term “net non-operating income” means the
difference between:

(A) revenues from all sources other than those related
to operations; and
(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and other charges on, debt.

(vi) The term "reasonable forecast" means a forecast prepared by the BVK and SVK not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Association and the BVK or SVK, respectively, accept as reasonable and as to which the Association has notified the BVK or SVK of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of the BVK or SVK, resulting in a decrease in the Annual Debt Service Coverage Ratio referred to under Section I.A.2(a) above.

(vii) Whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

3. (a) Except as the Association shall otherwise agree, the Recipient shall take measures to ensure that BVK and SVK, during Project implementation, shall be able to maintain, for each of their fiscal years after December 31, 2016 a ratio of total operating revenues to total operating expenses of at least 1.40 for BVK, and 1.35 for SVK.

(b) For the purposes of this section:

(i) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding, depreciation, interest and other charges on debt; and
(ii) The term “total operating revenues” means revenues from all sources related to operations.”

3. Section I.B.1 of Schedule 2 to the Original Financing Agreement is hereby amended to include a new paragraph, which shall read as follows:

“(d) an interest charge shall be paid on the withdrawn amount of the Subsidiary Financing at a rate equal to the rate payable by the Recipient from time to time pursuant to Section 2.05 of this Agreement.”

4. Section I.D of Schedule 2 to the Original Financing Agreement is hereby amended to read in its entirety as follows:

“1. The Recipient shall, and shall cause BVK and SVK, to carry out their Respective Parts of the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the RPF, RAP(s), BVK EMP and SVK EMP, respectively.

2. Prior to the commencement of any works under Parts A.1 and A.2 of the Project, the Recipient shall ensure that BVK and SVK shall:

(a) carry out said works in accordance with the provisions of the BVK EMP and the SVK EMP, respectively, all in a manner acceptable to the Association.

(b) (i) if applicable, prepare, disclose, and furnish to the Association the pertinent RAP, in accordance with the RPF; and (ii) immediately thereafter, carry out the pertinent works in accordance with the provisions of said RAP and in a manner acceptable to the Association, including full payment of compensation and the provision of relocation assistance to Displaced Persons prior to their displacement.

3. The Recipient shall ensure that the terms of reference for any consultancy in respect of the activities under the Project shall be satisfactory to the Association following its review thereof, and to that end, such terms of reference shall duly incorporate the requirement of the Association’s Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance.

4. The Recipient shall maintain a socially inclusive grievance redress mechanism, satisfactory to the Association, in such a manner as to enable the implementation of the Project in accordance with the RPF, RAP(s), BVK EMP, and SVK EMP.
5. The Borrower shall not amend, suspend, waive or abrogate any of the provisions of the RPF, RAP(s), BVK EMP, and SVK EMP.”

5. Section III.A.1 of Schedule 2 to the Original Financing Agreement is hereby amended to read as follows:

“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.”

6. Section III.B of Schedule 2 to the Original Financing Agreement is hereby amended to read in its entirety as follows:

“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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
</tbody>
</table>

7. Section III.D of Schedule 2 to the Original Financing Agreement shall be eliminated and the original Section III.E shall be renumbered as Section III.D.

8. Section IV.B.2 of Schedule 2 to the Original Financing Agreement is hereby amended to read in its entirety as follows:

“2. The Closing Date is June 30, 2019.”
9. Sections I and II of the Appendix to the Original Financing Agreement are hereby amended to read as Sections I and II, respectively, of the Appendix to this Agreement, as applicable.
APPENDIX

Section I. Definitions


2. "Association’s Safeguard Policies" means the World Bank’s operational policies and procedures set forth in the Association’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.WorldBank.org/opmanual.

3. “BVK” means the Bukhara Regional Production State Enterprise Suvokova, a legal entity established pursuant to Resolution No. 278, dated June 1, 1999 of the Recipient’s Cabinet of Ministers, and operating in accordance with the charter approved by Resolution No. 681, dated June 28, 2011 of the Hokim of Bukhara, or any legal successor thereto.

4. “BVK EMP” means the Environmental Management Plan, adopted by the BVK and submitted to the Association on April 29, 2009, as updated on May 19, 2015, and acceptable to the Association, and consisting of the set of mitigation, monitoring, and institutional measures and procedures in order to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures in respect of the investments under Part B.1 of the Project.

5. “BVK Legislation” means Resolution No. 278, dated June 1, 1999 of the Recipient’s Cabinet of Ministers and the charter approved by Resolution No. 681, dated June 28, 2011 of the Hokim of Bukhara, as the same may be amended from time to time.

6. “BVK Project Agreement” means the agreement between the Association and the BVK of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the BVK Project Agreement.

7. “BVK Subsidiary Credit Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the BVK for the purposes of carrying out its Respective Parts of the Project.

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

10. "Displaced Person" means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and "Displaced Persons" means, collectively, the plural thereof.

11. "EMPs" means collectively the BVK EMP and the SVK EMP.

12. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

13. "IMCC" means the Inter-Ministerial Coordination Council aimed to provide policy guidance in connection with the project activities and established through Resolution No. 229, dated August 12, 2009, of the Recipient's Cabinet of Ministers and referred to in paragraph 1(a) of Section I.A of Schedule 2 to this Agreement.

14. "Operating Costs" means incremental operating costs incurred by the PCU and PIUs, on account of Project implementation, management, monitoring and coordination, including office equipment maintenance and repair, local travel, communication, translation and interpretation, bank charges, and other miscellaneous costs of similar nature directly associated with the Project, all based on periodic budgets acceptable to the Association.

15. "Original Financing Agreement" means the financing agreement for the Bukhara and Samarkand Sewerage Project between the Recipient and the Association, dated November 26, 2009 (Credit No. 4633-UZ).

16. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.

17. "PCU" means the Project Coordination Unit established by the Recipient within Uzkomunmakhizmat referred to in Section I.A.1(b) of Schedule 2 to this Agreement.

18. "PIU" means the Project Implementation Units established by the Recipient within the BVK and SVK, respectively, for the purposes of managing their relevant

20. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated May 20, 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.

21. "Project Operational Manual" means the manual setting forth procedures and requirements for implementation of the Project, adopted by the Recipient (through UzKommunkhizmat) on March 2010, as said manual may be amended from time to time with the prior agreement of the Association, and satisfactory to the Association.

22. "RAP" means any of the Recipient’s resettlement action plans, acceptable to the Association, prepared and disclosed by the Recipient, and containing, inter alia, a program of actions, measures and policies for compensation and assistance of Displaced Persons, including budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms, for each rehabilitation or construction site; “RAPs” means the plural thereof.

23. “Resettlement Policy Framework” or “RPF” means the Resettlement Policy Framework dated April 2009 and disclosed in the World Bank Infoshop on April 23, 2009, and updated on April 18, 2015 and disclosed in the World Bank Infoshop on April 29, 2015, acceptable to the Association, which establishes, inter alia, the potential resettlement and compensation principles, organizational arrangements and design criteria to be included in each RAP.

24. “SCADA” means a Supervisory Control and Data Acquisition system to enhance responsiveness and manage routine maintenance of sewerage systems under the Project.

25. “Subsidiary Credit Agreement” means the BVK Subsidiary Credit Agreement and/or the SVK Subsidiary Credit Agreement (as the case may be).

26. “Subsidiary Financing” means the loan made out of the proceeds of the Financing to BVK and SVK in accordance with the terms set forth in the pertinent Subsidiary Credit Agreement.
27. "SVK" means the Samarkand Regional Production State Enterprise Suvokova, a legal entity established pursuant to Resolution No. 28, dated October 2, 1992, of the Recipient's Ministry of Public Utilities and Housing, and operating in accordance with the charter approved by Resolution No. 126-k, dated 27 June 2014, of the Hokim of Samarkand, or any legal successor thereto.

28. "SVK EMP" means the Environmental Management Plan adopted by the SVK and submitted to the Association on April 29, 2009, as updated on May 19, 2015, and acceptable to the Association, and consisting of the set of mitigation, monitoring, and institutional measures and procedures in order to eliminate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, as well as actions needed to implement said measures in respect of the investments under Part B.2 of the Project.

29. "SVK Legislation" means Resolution No. 28, dated October 2, 1992, of the Recipient's Ministry of Public Utilities and Housing and the charter approved by Resolution No. 126-k, dated 27 June 2014, of the Hokim of Samarkand, as the same may be amended from time to time.

30. "SVK Project Agreement" means the agreement between the Association and the SVK of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the SVK Project Agreement.

31. "SVK Subsidiary Credit Agreement" means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the SVK for the purposes of carrying out its Respective Parts of the Project.

32. "Training" means expenditures for Project related training courses, seminars, workshops, study tours and other training activities, including costs of training materials, space and equipment rental, travel and per diem costs of trainees and trainers.

33. "Uzkomkommkhizmat" means the Uzbek Agency established by the Recipient's Presidential Decree No. 2719 of December 19, 2000, or any legal successor thereto.

34. "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 16 of the Appendix ("Credit Account") is modified to read as follows:

""Credit Account" means the accounts opened by the Association in its books in the name of the Recipient to each of which the amounts of Portion A and Portion B of the Credit specified in the Financing Agreement are respectively credited."

3. 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".

4. The Appendix is modified by: (a) inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the subsequent paragraphs accordingly:

"32. "Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

(b) modifying the "Project Agreement" and "Project Implementing Entity" definitions as follows:
(i) "Project Agreement" means the BVK Project Agreement and/or the SVK Project Agreement (as the case may be), as said terms are defined in the Financing Agreement;

(ii) "Project Implementation Entity" means BVK and/or SVK (as the case may be), as said terms are defined in the Financing Agreement.

5. 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".

6. 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).