Financing Agreement

(Additional Financing for the Health System Improvement Project)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 18, 2013
FINANCING AGREEMENT

AGREEMENT dated July 18, 2013, entered into between REPUBLIC OF UZBEKISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for 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 sixty million six hundred thousand Special Drawing Rights (SDR 60,600,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 February 15 and August 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 objectives of the Project. To this end, the Recipient shall carry out the Project through MOH 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 Event of Suspension consists of, namely, that the Recipient shall have amended the Operational Manual without the prior written consent of the Association.

4.02. The Additional Event of Acceleration consists of, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

5.02. 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: Facsimile:
11 6360 IK BOL (998-71) 239-1225
          (998-71) 239-1259

6.03. The Association’s Address is:

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

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

REPUBLIC OF UZBEKISTAN

By

[Signature]

Authorized Representative

Name: Rustam Azimov

Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Saroj Kumar Jha

Title: Country Director
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) improve access to quality health care at the primary level, at RMUs and selected CMUs; and (b) strengthen the Government's public health response to the rise in non-communicable diseases (NCDs).

The Project consists of the following parts included in the Original Project, which are hereby amended solely for the purposes of the Credit:

Part A: Improving Health Service Delivery

1. Improving hospital service delivery by: (a) refurbishing additional RMUs and selected CMUs located in the Recipient's territory with up-to-date equipment (including, inter alia, diagnostic and waste management equipment) and medical furniture; and (b) providing training to hospital managers and staff on, inter alia, hospital design, planning and management.

2. Primary health care development by providing: (a) medical equipment to additional urban and rural primary health care facilities; and (b) training to personnel of primary health care facilities in early diagnosis, screening and treatment of priority NCDs.

3. Clinical quality enhancement by: (a) providing on-site training of additional RMUs' and selected CMUs' pediatric and internal medicine doctors and nurses in new clinical treatment standards; (b) providing training to staff of the RMUs and CMUs under letter (a) above in clinical case management and hospital administration; and (c) establishing quality improvement mechanisms to monitor implementation of the new clinical treatment standards, through the provision of goods, consultants' services and Training.

Part B: Strengthening Health Financing and Management Reforms

1. Development of a health information system to support the implementation of the hospital financing pilot through the provision of goods, consultants' services and Training.

2. Provision of training to additional primary health care facility managers on financial and health care management.
Part C: Institutional Strengthening for NCDs’ Prevention and Control

1. Strengthening the Recipient’s capacity in the control and preventions of NCDs by expanding the surveillance system for NCDs and the health promotion programs in selected regions, through the provision of goods, consultants’ services, Training and workshops.

Part D: Project Management

1. Strengthening the capacity of MOH, the CPIB and PIBs for Project management and implementation, monitoring and evaluation, environmental management pursuant to the EMF, procurement and financial management, through the provision of goods, consultants’ services, Training and Incremental Operating Costs.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through the MOH, shall carry out the Project in accordance with the criteria set forth in the Project Operations Manual. The Recipient shall not assign, amend, abrogate or waive the Project Operations Manual or any provision thereof, without the prior approval of the Association.

2. The CPIB, with the assistance of the PIBs and the HPOCs, shall carry out the Project management and coordination, all in accordance with the terms and criteria set forth in the Project Operation Manual.

3. The IMCHF, in accordance with the criteria set forth in the Project Operation Manual, shall be responsible for: (i) coordinating health financing and management reforms issues; and (ii) making recommendations for important health financing policy decisions.

4. Not later than February 28 of each year, starting from the investment and recurrent costs' plans for 2013, and on an annual basis for the duration of the Project, the Recipient shall, through MOH, submit to the Association, the approved hospital investment plan for each year and the respective recurrent costs' plan.

5. Not later than February 28 of each year, starting from the investment and recurrent costs' plans for 2013, and on an annual basis for the duration of the Project, the Recipient shall, through MOH, submit to the Association, the status of execution of the hospital investments and respective recurrent costs’ plan for the preceding year.

6. The Recipient shall, through MOH, on a semi-annual basis for the duration of the Project, submit to the Association, reports from the HPOCs on implementation of the hospital improvement program.

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

1. The Recipient shall ensure that: (i) the Project is carried out in accordance with the provisions of the EMF; and (ii) the Project activities will not include any land acquisition, displacement of people or any negative impacts on access to resources or services.

2. For the purposes of Part A.1(a) of the Project, the Recipient shall ensure that the installation and operation of any waste management equipment is carried out in accordance with the provisions of the relating EMP.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient 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.** All goods 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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. 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 required to comply with the provisions of the Procurement Guidelines</td>
</tr>
<tr>
<td>(b) Limited International Bidding</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
<tr>
<td>(d) Direct Contracting</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) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least-Cost Selection</td>
</tr>
<tr>
<td>(d) Selection Based on Consultants’ Qualification</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 through 5.4 of the Consultant Guidelines for the Selection of Individual Consultants</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 the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Consultants’ services, Training and Incremental Operating Costs</td>
<td>60,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>60,600,000</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 December 31, 2018.
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. (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.

2. 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.

3. 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.

4. 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.

5. Purchasers shall use the appropriate standard bidding documents for the procurement of goods or services, acceptable to the World Bank.

6. (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 World Bank-financed contracts.

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

8. (a) All bids shall not be rejected and new bids solicited without the World Bank's prior concurrence.

(b) When the number of bids received is less than three (3), re-bidding shall not be carried out without the World Bank’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 February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>Commencing on August 15, 2018 to and including February 15, 2028</td>
<td>1.65%</td>
</tr>
<tr>
<td>Commencing on August 15, 2028 to and including February 15, 2038</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

Definitions


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

3. “CMUs” means city medical unions.


5. “CPIB” means the Central Project Implementation Bureau established by the Recipient pursuant to Resolution No. PP-1614 issued by the President of the Republic of Uzbekistan on September 7, 2011 and referred to in clause A.2 (a) of Section I of Schedule 2 of the Original Financing Agreement.

6. “EMF” means the Environmental Management Framework, dated November 13, 2012, as published on the MOH’s website on November 15, 2012 and in Infoshop on November 20, 2012, outlining the procedures for the environmental screening, management, and mitigating measures, including such procedures related to health care waste management under the Project.

7. “EMP(s)” means the site specific environmental management plan to be prepared by the Recipient during the Project implementation in accordance with the EMF and approved by the Association, describing environmental mitigation, monitoring and institutional measures for the installation and operation of medical waste equipment under Part A.1 (a) of the Project.


9. “HPOCs” means the Hospital Program Oversight Committees established by the Recipient pursuant to Resolution No. PP-1614 issued by the President of the Republic of Uzbekistan on September 7, 2011 and referred to in clause A.3 of Section I of Schedule 2 of the Original Financing Agreement.
10. “Incremental Operating Costs” means incremental operating costs incurred on account of Project implementation, management, monitoring and coordination, including office equipment maintenance and repair, local travel, communication, translation and interpretation, and bank charges, all based on periodic budgets acceptable to the Association.

11. “IMCHF” means the Recipient’s Inter-ministerial Methodological Commission on Health Financing established by the Recipient pursuant to Deed No. 07/103-142, signed by the Deputy Prime Minister of the Republic of Uzbekistan and dated July 19, 2012, referred to in clause A.4(a) of Section I of Schedule 2 of the Original Financing Agreement.

12. “MOH” means the Recipient’s Ministry of Health or any successor thereto.


14. “Original Project” means the project described in the Original Financing Agreement.

15. “PIBs” means the regional Project Implementation Bureaus established by the Recipient pursuant to Resolution No. PP-1614 issued by the President of the Republic of Uzbekistan on September 7, 2011 and referred to in clause A.2 (b) of Section I of Schedule 2 of the Original Financing Agreement.


17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 12, 2012 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

18. “Project Operations Manual” means the manual, outlining, inter alia, the institutional, disbursement, procurement, financial management and environmental management arrangements for the implementation of the Project, dated February 21, 2011, and revised on January 17, 2013, as the same may be amended from time to time with approval of the Association, and such term includes any schedules to the Project Operations Manual.
19. "RMUs" means rayon medical unions.

20. "Training" means expenditures incurred by the Recipient in connection with Project-related study tours, training courses, seminars, workshops and other training activities, including travel and *per diem* costs of trainees and trainers.