Financing Agreement

(Strengthening the Social Protection System Project)

between

REPUBLIC OF UZBEKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF UZBEKISTAN ("Recipient") and 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) apply to and form 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 a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of fifty million Dollars ($50,000,000) (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 III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.

2.05. The Interest Charge is the greater of: (a) the sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge; and (b) zero percent (0%) per annum; on the Withdrawn Credit Balance.
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 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 the Project through MELR, and with technical support from MoF for Part 1 of the Project, in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

(a) The Recipient, through MELR, has established the PIU with composition, staff, resources and terms of reference satisfactory to the Association.

(b) The Recipient, through MELR, has adopted the Project Operations Manual in form and substance satisfactory to the Association.

4.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the Signature Date.

4.03. For purposes of Section 10.05 (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 Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Minister of Finance.

5.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:

   Ministry of Finance
   Istiqlol Street 29
Tashkent 100017
Republic of Uzbekistan; and

(b) the Recipient’s Electronic Address is:

<table>
<thead>
<tr>
<th>Telex</th>
<th>Facsimile</th>
<th>E-mail</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 6360 IK BOL</td>
<td>(998-71) 239-1569</td>
<td><a href="mailto:info@mf.uz">info@mf.uz</a></td>
</tr>
<tr>
<td></td>
<td>(998-71) 239-1259</td>
<td></td>
</tr>
</tbody>
</table>

5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

(a) the Association’s address is:

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

(b) the Association’s Electronic Address is:

<table>
<thead>
<tr>
<th>Telex</th>
<th>Facsimile</th>
</tr>
</thead>
<tbody>
<tr>
<td>248423 (MCI)</td>
<td>1-202-477-6391</td>
</tr>
</tbody>
</table>
AGREED as of the Signature Date.

REPUBLIC OF UZBEKISTAN

By

[Signature]

Authorized Representative

Name: Djamshid Kuchkarov
Title: Deputy Prime Minister and Minister of Finance
Date: July 19, 2019

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Lilia Burunciuc
Title: Regional Director, Central Asia
Date: July 19, 2019
SCHEDULE 1

Project Description

The objective of the Project is improve inclusion of poor and vulnerable people in the social assistance system and labor market, including those affected by the economic reforms in Uzbekistan.

The Project consists of the following parts:

Part 1. Modernizing the Social Safety Net

1.1 Enhancing and Rolling out the Single Registry

Support the implementation of the Recipient’s Single Registry in three phases through:

(a) Implement a pilot phase of the Single Registry in the Syrdarya region, including (i) carrying out the assessment of the pilot’s processes and incidence; (ii) identifying, developing and implementing the necessary adjustments to the Single Registry and its related processes; and (iii) carrying out the nationwide rollout plan, including provision of technical assistance and capacity building for the key institutions or agencies;

(b) Carrying out a second phase to support the roll out of the Single Registry implementation nationwide, including (i) developing and implementing necessary software adjustments based on the assessment and recommendations carried out under the pilot phase; (ii) carrying out outreach activities to households in remote areas; (iii) adapting administrative and physical structure and facilities for the implementation of the single registry at the local level; (iv) proving capacity building and training for the staff responsible for the implementation and regular management and monitoring of the social registry at local, regional, and central level; (v) ensuring efficient interoperability between the Single Registry and the integrated LMIS to better coordinate SSN interventions with labor market programs; and (vi) an assessment and evaluation of the rolling out phase of the Single Registry.

(c) Carrying out a third phase to support the inclusion of additional social programs to the Single Registry and develop the Single Registry with advanced capabilities for reducing error and fraud, management of social inspections and advanced reporting and statistics, including inter alia (i) enhancement and consolidation of the social registry architecture; (ii) review, assessment and adjustment of the eligibility and targeting systems to enhance the purpose of the social registry to support beneficiaries for other social
programs beyond the Family Allowance Programs; (iii) adaptation of central and local offices to properly manage the social registry, including the front and back office requirements; and (iv) enhancement of the staff capacity through training and technical assistance.

1.2. Improving the Effectiveness of Social Benefits

Provide support to the Recipient to improve the performance and incidence of the social benefit system through:

(a) Design, implement, and assess a pilot of cash benefit program, in the Syrdarya region, to test mechanisms to better reach the poorest and provide adequate support, including (i) alternative targeting methods to reduce the exclusion and inclusion errors related to the selection of beneficiaries of low income Family Allowances Programs, (ii) the consolidation of Family Allowances into a single social benefit for low income families and an alternative benefit amount structure, including the introduction of gradual phasing of benefits and/or partial income disregards for work-able beneficiaries of Family Allowance Programs, and (iii) the introduction of conditions (and related sanctions) to promote labor activation of work-able beneficiary members of the Family Allowance Programs.

(b) Design and implement measures to tackle causes of error and fraud related to the Family Allowance Programs.

Part 2. Improving the Effectiveness of Active Labor Market Programs

2.1 Enhance the Capacity of the Employment Support Centers to Implement Job Intermediation Services

(a) Carrying out a functional review of the ESCs including an in-depth review of the ESCs’ job-matching functions and labor inspection;

(b) Development of a methodology for individualized case management and effective profiling tools;

(c) Carrying out a set of training sessions for ESC’s staff;

(d) Providing technical assistance to ESC: (i) to develop and implement a strategy to reach out to private employers; (ii) to support ESC in introducing performance-based contracting of the private sector for selected services and programs; and (iii) for strengthening its labor inspection functions and increasing the capacity on reducing error and fraud cases; and

(e) Carrying out study tours, knowledge sharing events through the participation
of key officials in relevant international forums to learn about best practices and activities promoting peer learning with public/private employment service providers on work reorganization, profiling, and performance management.

2.2 Financial support to promote employment

Support for the implementation and improvement of the Recipient’s labor market programs through:

(a) Financing selected Labor Market Programs, in two installments, namely (A) a Pilot Installment and (B) a Rollout Installment, both aiming at encouraging wage employment and entrepreneurship as well as reducing unemployment through provision of Eligible Subsidies to Eligible Beneficiaries:

(i) to cover eligible start-up costs of new businesses of vulnerable unemployed registered with the ESC;

(ii) as wage subsidies for employers who hire socially vulnerable jobseekers above the minimum reserved number of positions; and

(iii) as reimbursement to employers for fees paid for vocational and advanced training of new hires who are recruited based on the referrals of the ESCs;

(b) Development and implementation of information awareness campaigns on the characteristics, eligibility rules and the application process for the different forms of financial support;

(c) Development of operational manuals and implementation guidelines for job counselor to create the demand for and administer the financial support programs;

(d) Provision of advisory services to micro-, small- and medium-sized private enterprises for the identification of their skills needs and of key training courses available in the region where they operate among accredited training providers needed for their new hires; and

2.3 Entrepreneurship Skills Training

Development and implementation of a new program building entrepreneurial skills of selected entrepreneurs.

2.4 Develop and Implement an Integrated Labor Market Information System

Development and implementation of an Integrated Labor Market Information
System to support the MELR and ESC to (i) provide better services to citizens and employers (including modern web interfaces); (ii) improve management of the ALMPs; (iii) increase efficiency of the ESC staff (including utilization on mobile devices, tablets, for field activities); (iv) reduce errors and fraud in the Labor Market Programs; and (v) collect more detailed data for monitoring and more complex statistics and trend analysis, through:

(a) maintenance and minor developments of the current version of the ISWO and Vacancy Platform;

(b) the development and implementation of the LMIS;

(c) modernization of ICT resources in the ESC and MELR to strengthen IT governance and capacity of the MELR’s IT unit; and

(d) provision of training equipment for the Multifunctional Center of Employment Services.

Part 3. Project Monitoring and Management

3.1 Strengthening Labor Market Interventions Monitoring and Evaluation

(a) Improving the monitoring of labor market interventions to track selected Labor Market Programs’ implementation and outputs through: (i) development of a full set of indicators to track selected Labor Market Programs and interventions including data needed to calculate them, frequency of monitoring, institutional responsibilities, and workplan for data collection; (ii) development of methodologies for program monitoring, reporting, and knowledge generation; (iii) additional software development and hardware as necessary; and (iv) training.

(b) Improving the capacity of the MELR’s research center to provide knowledge and analysis for evidence-based decision making through the provision of training for the MELR staff to analyze the LMIS data using statistical software and produce and disseminate regular reports on labor market trends.

(c) Design and implementation of an independent impact evaluation to measure the results under selected Family Allowance Programs and/or Labor Market Programs.

3.2 Project Management

Provision of support to carry out Project management activities, including, monitoring, evaluation, coordination and supervision of the Project, and Project audits.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall, through MELR, establish and, thereafter maintain throughout the Project implementation, a PIU for the purposes of day-to-day Project management, monitoring and supervision with a composition, staff, resources and terms of reference described in the POM and satisfactory to the Association.

2. For purposes of carrying out the activities under Part 1 of the Project, the Recipient, through MELR, shall coordinate with and ensure the provision of technical support of MoF, as set forth and described in the POM.

3. The Recipient, through MELR, shall carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in this Agreement and in the Project Manuals and shall not amend, suspend, abrogate or waive any provisions of the Project Manuals without prior written approval of the Association. In case of any inconsistency between the provisions of the Project Manuals and those of this Agreement, those of this Agreement shall prevail.

4. The Recipient, through MELR, shall, not later than two (2) months after the Effective Date, install a fully functional software to be used during Project implementation for accounting and financial controls of the Project accounts.

B. Environmental and Social Standards

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.

2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:

(a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;

(b) sufficient funds are available to cover the costs of implementing the ESCP;
(c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and

(d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Association shall otherwise agree in writing and the Recipient has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

2. The Recipient shall:

(a) take all measures necessary on its part to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the management tools and instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

(b) promptly notify the Association of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.

3. The Recipient shall maintain and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Association, to hear and determine fairly and in good faith all complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.
Section III. **Withdrawal of the Proceeds of the Financing**

A. **General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes other than Withheld Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consulting services, Training and Operating Costs for the Project (except Part 2.2 (a))</td>
<td>32,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Eligible Subsidies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) under Part 2.2 (a) (A) of the Project (Pilot Installment)</td>
<td>(i) 2,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(ii) under part 2.2 (a) (B) of the Project (Rollout Installment)</td>
<td>(ii) 15,500,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>50,000,000</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

   (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed $3,700,000 may be made for payments made prior to this date but on or after May 20, 2019, for Eligible Expenditures under Category (1); or

   (b) under Category (2) (i) until the Recipient, through both MoF and MELR, has adopted SFM satisfactory to the Association; and under Category (2)
(ii) until the Recipient has, to the satisfaction of the Association, submitted acceptable evidences that activities have been satisfactorily concluded under Part 2.2 (a) (A) of the Project, in accordance with the criteria and procedures set forth in the SFM.

2. The Closing Date is December 31, 2024.
**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>1.65%</td>
</tr>
<tr>
<td>commencing November 15, 2024 to and including May 15, 2044</td>
<td></td>
</tr>
<tr>
<td>commencing November 15, 2044 to and including May 15, 2049</td>
<td>3.40%</td>
</tr>
</tbody>
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* 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 3.05 (b) of the General Conditions.
APPENDIX

Definitions

1. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016."

2. "Basis Adjustment to the Interest Charge" means the Association's standard basis adjustment to the Interest Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

3. "Basis Adjustment to the Service Charge" means the Association's standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

4. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

5. "Eligible Beneficiary" means any eligible beneficiary to receive a subsidy or other support under Part 2. 2 (a) of the Project; "Eligible Beneficiaries" means the plural thereof.

6. "Eligible Subsidy" means subsidies that are eligible for financing under the Credit under Part 2.2 (a) of the Project in accordance with the requirements of the POM and of the SFM; and "Eligible Subsidies" means the plural thereof.

7. "Environmental and Social Commitment Plan" or the acronym "ESCP" means the Recipient's environmental and social commitment plan, acceptable to the Association, dated May 14, 2019, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Association, and such term includes any annexes or schedules to such plan.

8. "Environmental and Social Standards" means, collectively: (i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social

9. “ESC” means any of the Recipient’s employment support centers established and operating pursuant to Recipient’s Presidential Resolution PP-3913 dated August 20, 2018.

10. “Family Allowances” means any of the social allowances and financial aid to low income families established pursuant to the Recipient’s Cabinet of Ministers Resolution No. 44 dated February 15, 2013, as amended.

11. “Family Allowance Programs” means any of the Recipient’s programs established pursuant to the Recipient’s Cabinet of Ministers Resolution No. 44 dated February 15, 2013, as amended.


15. “IT” means Information Technology.


18. “MELR” means the Recipient’s Ministry of Employment and Labor Relations or any successor thereto, acceptable to the Association.

19. “MoF” means the Recipient’s Ministry of Finance or any successor thereto, acceptable to the Association.

20. “Multifunctional Center of Employment Services” means the Recipient’s center established pursuant to the Recipient’s Presidential Resolution No 3913 dated August 20, 2018.

21. “Operating Costs” means the expenditures incurred on account of Project implementation, management and monitoring, which are the expenditures that would not have been incurred in the absence of the Project, including utilities, supplies, bank charges, communications, equipment maintenance, advertising expenses, translations, fuel, travel, lodging and per diems for the PIU staff, salaries of the PIU staff, including the Social Charges (but excluding salaries of officials or employees of the Recipient’s civil service, as well as any contributions by these officials or employees to any social fund), office rent and any other expenditures incurred by the PIU on account of Project implementation, provided that all said expenses are acceptable to the Association.


23. “Pilot Installment” means the pilot phase for payments made out of the proceeds of the Credit to finance Eligible Subsidies under Part 2.2 (a) (A) of the Project in accordance with the rules and procedures set forth in the SFM.

24. “Project Implementation Unit” or “PIU” means the unit to be established and maintained pursuant to the provisions of Section I.A.1 of Schedule 2 to the Financing Agreement.

25. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.

26. “Project Manuals” means, collectively, the POM and the SFM.

27. “Rollout Installment” means the rollout phase, following the pilot phase, for payments made out of the proceeds of the Credit to finance Eligible Subsidies under Part 2.2 (a) (B) of the Project in accordance with the rules and procedures set forth in the SFM and based on the Association’s assessment of the results achieved by the Recipient under the Pilot Installment.
28. "Subsidies Financing Manual" or "SFM" means the manual referred to in Sections I.A.3 and III.B (b) of Schedule 2 to this Agreement to be jointly adopted by MoF and the MELR and describing the implementation arrangements for the activities under Part 2.2 (a) of the Project, including, *inter alia*, (i) the flow of funds from the PIU to the Eligible Beneficiaries through the Treasury, including the reporting terms and templates, and the financial audit requirements; (ii) eligibility criteria for the selection of said beneficiaries in accordance with the relevant Recipient's legislation; (iii) arrangements to monitor said beneficiaries and track results; and (iv) procedures and remedies when Eligible Subsidies' conditions are not complied with, as said manual may be amended from time to time with prior approval of the Association.

29. "Project Operations Manual" or "POM" means the Project operations manual acceptable to the Association adopted by the Recipient, through MELR, pursuant to Section 4.01 (b) of this Agreement, setting forth, *inter alia*: (a) the institutional, operational, and administrative Project responsibilities; (b) disbursement, procurement, and financial management requirements, as said manual may be amended from time to time, with prior approval of the Association.

30. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

31. "Single Registry" means the Recipient's registry of social safety nets established pursuant to the Resolution of the Cabinet of Ministers #308 of April 13, 2019 as may be amended from time with the prior agreement of the Association.

32. "Social Charges" means any payments or contributions for health benefits, unemployment benefits, disability insurance, workers' compensation benefits, retirement (pension or social security) benefits, and life insurance, or any other benefits according to the Recipient's legislation.

33. "SSN" means Social Safety Net.

34. "Training" means expenditures (other than those for consultants' services) incurred for training and training-related activities under the Project, including seminars, workshops and study tours, travel, lodging and subsistence allowances for training participants, trainers' fees, rental of training facilities, preparation and reproduction of training materials and other activities incidental to the preparation and implementation of training activities.

35. "Treasury" means the MoF treasury, or any successor thereto acceptable to the Association.

36. "Vacancy Platform" means a website collecting jobs posting by employers.
37. "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.