Project Agreement

(Additional Financing for Dushanbe Water Supply Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

DUSHANBEVODOKANAL STATE UNITARY ENTERPRISE

and

MUNICIPALITY OF DUSHANBE

Dated February 1, 2007
PROJECT AGREEMENT

Agreement dated February 1, 2007, entered into among INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"), DUSHANBEVODOKANAL STATE UNITARY ENTERPRISE ("Project Implementing Entity" or "DVK") and the MUNICIPALITY OF DUSHANBE ("Project Agreement") in connection with the Financing Agreement of same date between the REPUBLIC OF TAJIKISTAN ("Recipient") and the Association (the "Financing Agreement"). The Association, the Project Implementing Entity and the Municipality of Dushanbe hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II - PROJECT

2.01. DVK and the Municipality of Dushanbe declare their commitment to the objectives of the Project. To this end, DVK and the Municipality of Dushanbe shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association, DVK and the Municipality of Dushanbe shall otherwise agree, DVK and the Municipality of Dushanbe shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE IV - REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is the Director of DVK.

4.02. The Municipality of Dushanbe representative for the purposes of Section 9.02 (a) of the General Conditions is the Chairman of the City of Dushanbe or such other person or persons as the Chairman of the City of Dushanbe shall designate in writing.

4.03. The Association’s Address is:

For the Association:

International Association for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INTBAFRAD Telex: 248423(MCI) or 1-202-477-6391
Telex: Washington, D.C. Facsimile: 64145(MCI) 1-202-477-6391

4.04. The Project Implementing Entity’s Address is:

14A Ayni Street
734042, Dushanbe, Tajikistan

Facsimile:

(992372) 217745

4.05. The Municipality of Dushanbe address is:

48 Rudaki Ave,
Dushanbe, Tajikistan

Facsimile:

(992372) 219438
AGREED at Dushanbe, Republic of Tajikistan, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Cevdet Denizer
Authorized Representative

DUSHANBE VODOKANAL STATE UNITARY ENTERPRISE

By /s/ Azam Tabarov
Authorized Representative

MUNICIPALITY OF DUSHANBE

By /s/ Rustam Rakhmatov
Authorized Representative
SCHEDULE

Execution of the Project

Section I. Institutional and Other Arrangements

1. Without limitation upon the provisions of Article II of this Agreement, and except as the Association shall otherwise agree, DVK and the Municipality of Dushanbe shall carry out the Project in accordance with the Operational Manual and the EMMP.

2. DVK shall duly perform all its obligations under the Subsidiary Agreement and except as the Association shall otherwise agree, DVK shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Agreement or any provision thereof.

3. DVK and the Municipality of Dushanbe shall implement the Action Plan in a timely manner, and shall provide to the Association, on a quarterly basis, a report which sets out progress made on implementation of the Action Plan.

4. DVK and the Municipality of Dushanbe shall take or cause to be taken, all measures necessary for the carrying out of the EMMP in a timely manner.

5. DVK and the Municipality of Dushanbe shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of their obligations under this Agreement and under the Subsidiary Agreement, and other matters relating to the purposes of the Financing.

6. DVK and the Municipality of Dushanbe shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Financing, or the performance by DVK of its obligations under this Agreement and under the Subsidiary Agreement.

7. DVK and the Municipality of Dushanbe shall continue to replenish quarterly the Project Account referred to in Section 6.01 of the Original Financing Agreement, with sufficient funds from their own resources to cover the projected counterpart financing requirements.

8. The Municipality of Dushanbe shall take all measures necessary to ensure that DVK is able to meet its financial obligations as they fall due.

9. The Municipality of Dushanbe and DVK shall maintain the PCU until completion of the Project, with staff, resources and terms of reference satisfactory to the Association, and assign to it responsibility for overall Project coordination, including:

   (a) preparation of disbursement applications under the Financing Agreement;

   (b) management of the Designated Account;
(c) maintenance of records and accounts related to the Project and arranging for the audit thereof;

(d) participation in administration of bidding procedures and of contracts under the Project; and

(e) preparation of quarterly progress reports and submission thereof to the Recipient and the Association.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

DVK shall monitor and evaluate the progress of the Project and prepare Project Reports of the Project in accordance with the provisions of Section 4.08 (b) of the General Conditions and on basis of indicators agreed with the Association. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient not later than forty five (45) days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. Financial Management, Financial Reports; Audits

1. DVK shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of DVK, including the operations, resources and expenditures related to the Project.

2. DVK shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year. The audited financial statements for each period shall be furnished to the Association not later than six months after the end of the period.

3. (a) Except as the Association shall otherwise agree, DVK shall not incur any debt, unless a reasonable forecast of the revenues and expenditures of DVK, shows that its estimated net revenues for each fiscal year during the term of the debt to be incurred shall be at least 1.2 times its estimated debt service requirements in such year on all of its debt including the debt to be incurred.

(b) For the purposes of this Section:

(i) The term “debt” means any indebtedness 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 collected 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) collected 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 payment if any) of, and interest and other charges on, debt.

(vi) The term “reasonable forecast” means a forecast prepared by DVK not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Association and DVK accept as reasonable and as to which the Association has notified DVK 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 DVK.

(vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, 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.
4. The Municipality of Dushanbe shall review, in accordance with established procedures, the periodic proposals for tariff adjustments submitted by DVK at least quarterly and, thereafter, shall promptly initiate, if needed, actions to adjust said tariffs so that DVK can meet its obligations by collecting sufficient revenues to cover operation and maintenance costs and other expenses.

5. The Municipality of Dushanbe, after review of the forecast amount of water consumption prepared by DVK every six months shall: (a) allocate in the relevant operating budget of budget organizations adequate funds for payment of water fees; and (b) ensure that said funds are paid to DVK.

6. The Municipality of Dushanbe shall enable DVK to collect water fees from its customers, including but not limited to disconnection of non-paying customers.

7. The Municipality of Dushanbe shall take all measures necessary to ensure appropriate yearly budgetary allocations to the municipal budget required for Project implementation.

Section III. Procurement

All goods, works and services required for the Project shall be procured in accordance with the provisions of Schedule 2 to the Financing Agreement.