Project Agreement

(Heat Supply Improvement Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

BISHKEKTEPLOSET OPEN JOINT STOCK COMPANY
PROJECT AGREEMENT

Agreement between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and BISHKEKTEPLOSET OPEN JOINT STOCK COMPANY ("Project Implementing Entity" or "BTS") ("Project Agreement") in connection with: (i) the Financing Agreement ("Financing Agreement") between the KYRGYZ REPUBLIC ("Recipient") and the Association and the Project Agreement between the Association and COMMUNITY DEVELOPMENT AND INVESTMENT AGENCY, both of the Signature Date. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) apply to and form a 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out Part A of the Project in accordance with the provisions of Article V of the General Conditions and the Schedule to this Agreement, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

ARTICLE III — TERMINATION

3.01. For purposes of Section 10.04 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the Signature Date.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its General Director.

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

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

(b) the Association’s Electronic Address is:

Telex: 248423(MCI) or 1-202-477-6391

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

(a) the Project Implementing Entity’s address is:

2/1 Jukeeva-Pudovkina Street
Bishkek
Kyrgyz Republic

(b) the Project Implementing Entity’s Electronic Address is:

Facsimile: +996312591456
E-mail: info@teploseti.kg
AGREED, as of the latest of the two dates written below.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Bolormaa Amgaabazar
Title: Country Manager
Date: 11/11/2018

BISHKEKTEPLOSET OPEN JOINT STOCK COMPANY

By

Authorized Representative

Name: Abdykadyrov EE
Title: Director General
Date: 1/23/2018
SCHEDULE

Execution of the Project Implementing Entity's Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall carry out its Respective Part of the Project in accordance with this Agreement, the Financing Agreement, the BTS Subsidiary Agreement and BTS Project Operational Manual.

2. The Project Implementing Entity shall:

   (a) (i) prepare and adopt the BTS Project Operational Manual pursuant to Section 5.01 (d) of the Financing Agreement, satisfactory to the Association, and setting out, inter alia, the institutional, disbursement, procurement, financial management (including Project-related internal control, budgeting, external auditing, financial reporting and accounting policies and procedures) and environmental and social institutional safeguard arrangements for the implementation of its Respective Part of the Project; and (ii) carry out its Respective Part of the Project in accordance with the BTS Project Operational Manual; and

   (b) not amend, suspend, repeal or waive any of the provisions of the BTS Project Operational Manual without the Association’s prior written agreement. In case of any discrepancy between the provisions of the BTS Project Operational Manual and those of the Financing Agreement, the provisions of the Financing Agreement shall prevail.

3. The Project Implementing Entity shall maintain during the entire Project implementation period the BTS Project Implementation Unit for the purposes of implementation of its Respective Part of the Project, with functions, terms of reference, staff and resources acceptable to the Association.

B. Annual Work Plan

The Project Implementing Entity shall:

(a) prepare, in accordance with the terms of reference acceptable to the Association, and furnish to the Association not later than December 1 of each calendar year during the implementation of the Project, a work plan containing all activities proposed for inclusion in the Project under its Respective Part of the Project for the next calendar year, including: (a) a detailed timetable for the sequencing and implementation of the proposed
Project activities; (b) the types of expenditures required for such activities and a proposed financing plan (including the necessary funds and resources to be provided by the Recipient for such expenditures); (c) any training activities that may be required under its Respective Part of the Project; and (d) the reference to each Safeguard Instrument applicable to said activities in accordance with the provisions of Section I.D of Schedule 2 to the Financing Agreement and the proposed approach to ensure preparation and implementation of said Safeguard Instrument during the relevant year.

(b) afford the Association a reasonable opportunity to provide its views on each such proposed work plan; and, thereafter ensure that its Respective Part of the Project is implemented with due diligence during said following calendar year in accordance with such work plan as shall have been approved by the Association.

(c) not make any material change to the approved Annual Work Plan without prior approval in writing by the Association.

D. Safeguards

1. The Project Implementing Entity shall implement the Project in accordance with the relevant Safeguards Instruments, and, to that end, shall:

(a) if any activity under the Project would require the adoption of any Supplemental Social and Environmental Safeguard Instrument:

(i) (A) prepare such Supplemental Social and Environmental Safeguard Instrument for its Respective Part of the Project in accordance with ESMF and/or RPF; (B) furnish such Supplemental Social and Environmental Safeguard Instrument to the Association for review and approval; and (C) thereafter adopt such Supplemental Social and Environmental Safeguard Instrument, acceptable to the Association, prior to implementation of the activity; and

(ii) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such Supplemental Social and Environmental Safeguard Instrument;

(b) if any activity under the Project would involve Affected Persons, ensure that no displacement (including restriction of access to legally designated parks and protected areas) shall occur before resettlement measures under the respective Supplemental Social and Environmental Safeguard Instrument, including, in the case of displacement, full payment to
Affected Persons of compensation and of other assistance required for relocation, have been implemented.

2. The Project Implementing Entity shall ensure that no works on a specific site under its Respective Part of the Project requiring resettlement and/or land acquisition are commenced until the respective Supplemental Social and Environmental Safeguard Instrument for said site is fully implemented.

3. The Project Implementing Entity shall not amend, suspend or waive any provision of Safeguard Instruments without the prior written approval of the Association.

Section II.  Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later one (1) month 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.

2. The Project Implementing Entity shall provide to the Recipient not later than four (4) months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management

Not later than thirty (30) days from the Effective Date, the Project Implementing Entity shall install an accounting software specifically for the Project accounting, which will have a functionality for automatic generation of the Project financial reports as well as Statements of Expenditures.

Section III.  Procurement

All goods, works and services required for the Project Implementing Entity’s Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.
Section IV. Other Undertakings

For purposes of implementation of Part A of the Project, the Project Implementing Entity shall comply with the following provisions:

1. Except as the Association shall otherwise agree, BTS shall not incur any debt unless a reasonable forecast of the revenues and expenditures of BTS shows that the estimated net revenues of BTS for each of its fiscal years during the term of the debt to be incurred shall be at least 1.0 times the estimated debt service requirements of BTS in such year on all debt of BTS including the debt to be incurred.

2. For the purposes of this Section:

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

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

(vii) Whenever for the purposes of this Section 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.