Project Agreement

(Rural Electrification Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PAMIR ENERGY COMPANY
PROJECT AGREEMENT

AGREEMENT between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and PAMIR ENERGY COMPANY ("PEC") ("Project Implementing Entity") ("PEC Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of the Signature Date between the REPUBLIC OF TAJIKISTAN ("Recipient") and the Association, concerning Grant No. D504-TJ. 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 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 1 of the Project in accordance with the provisions of Article V of the General Conditions and the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 10.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty 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:

75 Gulmamadova Street
Khorog,
Republic of Tajikistan

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

Facsimile: +992-3522-22810  E-mail: info@pamirenergy.com

AGREED as of the later of the two dates written below.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Jan-Peter Ottesen
Title: Country Manager
Date: November 13, 2019

PAMIR ENERGY COMPANY

By

[Signature]

Authorized Representative

Name: Daler Janapov
Title: General Director
Date: November 13, 2019
SCHEDULE

Execution of the Project

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements and Project Operational Manual

1. For the purposes of overall management, implementation and coordination of Part 1 of the Project, the Project Implementing Entity shall maintain, until completion of the Project, staff and resources satisfactory to the Association and adequate for successful implementation of the Project.

2. The Project Implementing Entity shall:

   (a) carry out Part 1 of the Project in accordance with the PEC Project Operational Manual, satisfactory to the Association, and setting out, inter alia, the institutional, disbursement, procurement and financial management arrangements for the implementation of Part 1 of the Project (including Project-related internal control, budgeting, external auditing, financial reporting and accounting policies and procedures); and

   (b) not amend, suspend, repeal or waive any of the provisions of the PEC Project Operational Manual without the Association's prior written agreement.

In case of any discrepancy between the provisions of the PEC Project Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

B. Subsidiary Agreement

1. To facilitate the carrying out of Part 1 of the Project, the Project Implementing Entity shall:

   (a) enter into a subsidiary agreement with the Recipient, under terms and conditions approved by the Association ("PEC Subsidiary Agreement"), which shall, inter alia, include that the Recipient will make available to PEC the part of the proceeds of the Grant allocated for Part 1 of the Project, on a non-reimbursable basis and in Dollars;

   (b) duly perform all of its obligations under the PEC Subsidiary Agreement; and
exercise its rights under the PEC Subsidiary Agreement in such manner as to protect the interests of the Project Implementing Entity and the Association and to accomplish the purposes of the Financing.

2. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, waive, terminate or fail to enforce the PEC Subsidiary Agreement or any of its provisions.

C. Environmental and Social Standards

1. The Project Implementing Entity 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 Project Implementing Entity shall ensure that Part 1 of the Project and the Associated Facilities are implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Project Implementing Entity 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 and the Project Implementing Entities have, 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.

3. The Project Implementing Entity 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.

4. The Project Implementing Entity 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.

5. The Project Implementing Entity shall maintain, throughout Project implementation, 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 Part 1 of the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.

D. Financial Covenant

1. Except as the Association shall otherwise agree, the Project Implementing Entity shall, commencing not later than the Effective Date, not incur any long-term debt unless a reasonable forecast of its revenues and expenditures shows that its estimated net revenues for each fiscal year during the term of the debt to be incurred shall be equal to at least 1.2 times the estimated long-term debt service requirements in such year on all debt of the Project Implementing Entity, including the debt to be incurred.

2. (i) For the purposes of paragraph 1 above:

   (a) The term "long-term debt" means any indebtedness of the Project Implementing Entity maturing by its terms more than one (1) year after the date on which it is originally incurred.

   (b) 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.
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.

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 referred to in (A) above.

The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, both short- and long-term debt.

The term “long-term debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, long-term debt.

The term “reasonable forecast” means a forecast prepared by the Project Implementing Entity not earlier than six (6) months prior to the incurrence of the debt in question, which both the Association and the Project Implementing Entity accept as reasonable and as to which the Association has notified the Project Implementing Entity 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 Project Implementing Entity.

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.
E. Anti-Corruption

The Project Implementing Entity shall ensure that Part 1 of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Project Implementing Entity shall monitor and evaluate the progress of Part 1 of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators acceptable to 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.