Project Agreement

(Dushanbe Water Supply and Wastewater Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

DUSHANBE VODOKANAL STATE UNITARY ENTERPRISE
PROJECT AGREEMENT

AGREEMENT between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and DUSHANBE VODOKANAL STATE UNITARY ENTERPRISE (DVK) ("Project Implementing Entity") ("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. D4780-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 objectives of the Project. To this end, the Project Implementing Entity shall carry out 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 ten (10) years after the Signature Date.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its 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: Facsimile:
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:

Dushanbe Vodokanal State Unitary Enterprise
14A Ayni Street
734042, Dushanbe
Republic of Tajikistan; and

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

Facsimile:
(992372) 217745
AGREED as of the later of the two dates written below.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Sau-Peter Otters

Title: Country Manager

Date: November 14, 2019

DUSHANBE VODOKANAL STATE UNITARY ENTERPRISE

By

[Signature]

Authorized Representative

Name: Mirzomurod Ubaydolda

Title: Director

Date: November 14, 2019
SCHEDULE

Execution of the Project

Section I. Institutional and Implementation Arrangements

A. PIU and Project Operational Manual

1. For the purposes of overall Project management, implementation and coordination, the Project Implementing Entity shall maintain the PIU, until completion of the Project, with staff, resources and terms of reference satisfactory to the Association and adequate for successful implementation of the Project. Without limitation to the provisions of the preceding sentence, the Project Implementing Entity shall, not later than 30 days from the Effective Date, employ financial management and accounting staff, under terms of reference and with qualifications acceptable to the Association.

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

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

In case of any discrepancy between the provisions of the 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 the Project, the Project Implementing Entity shall:

   (a) enter into a subsidiary agreement with the Recipient, under terms and conditions approved by the Association ("Subsidiary Agreement"), which shall, inter alia, include that the Recipient will make available to DVK the Grant in Dollars;

   (b) duly perform all of its obligations under the Subsidiary Agreement; and
exercise its rights under the 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 or waive the Subsidiary Agreement or any of its provisions.

C. **DVK-Dushanbe City Agreement**

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

   (a) enter into an agreement with Dushanbe City, under terms and conditions approved by the Association ("DVK-Dushanbe City Agreement"), which shall, *inter alia*, include that Dushanbe City shall:

      (i) commencing on April 1, 2020, provide each year during four (4) years of Project implementation, a contribution to DVK in an amount of $500,000 equivalent, on a non-reimbursable basis, and as set forth in such agreement;

      (ii) take all such measures as may be needed to enable the Project Implementation Entity to meet Project objectives and the requirements of Sections I.D(iii)(c) and I.E of the Schedule to the Project Agreement including, without limitation, endorsing adjustments of the structure or levels of its tariffs.

   (b) duly perform and cause Dushanbe City to perform all of their respective obligations under the DVK-Dushanbe City Agreement; and

   (c) exercise its rights under the DVK-Dushanbe City Agreement and cause Dushanbe City to exercise its rights 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 or waive, and cause Dushanbe City not to assign, amend, abrogate or waive the DVK-Dushanbe City Agreement or any of its provisions.
D. **Other Operational Arrangements**

The Project Implementing Entity shall:

(a) not later than March 1, 2020, complete and furnish to the Association for its comments the Dushanbe water hydraulic model to be prepared under the Project;

(b) (i) not later than June 30, 2022, complete and furnish to the Association for its comments the Dushanbe wastewater master plan referred to in Part 1.c of the Financing Agreement; and

(ii) thereafter carry out such plan taking into account the comments if any made by the Association; and

(c) (i) not later than eighteen (18) months after the Effective Date, furnish to the Association for its comments, a preliminary draft of the business plan referred to in Part 1.a of the Financing Agreement, prepared in accordance with terms of references acceptable to the Association, and including an analysis of:
(A) the applicable legal and regulatory framework and the operational and financial constraints proposed solutions; and
(B) the implementation of key recommendations of the tariff study being carried out by the Project Implementing Entity;

(ii) not later than twenty-four (24) months from the Effective Date, furnish to the Association for its comments the final draft of such business plan;

(iii) take into account the comments made by the Association to such drafts and seek Dushanbe City’s endorsement of the final plan; and

(iv) promptly thereafter adopt and carry out such plan.

E. **Financial Performance**

1. Without limitation to the provision of this Agreement and the General Conditions, the Project Implementing Entity shall, commencing twenty-six (26) months after the Effective Date, furnish to the Association each year together with the Financial Statements, an overview of the Project Implementing Entity’s operational and financial performance and the progress achieved towards implementation of the business plan adopted pursuant to Section I.D(c)(iv) of this Agreement.
2. (a) Except as the Association shall otherwise agree, the Project Implementing Entity shall, commencing not later than thirty-six (36) months after the Effective Date, not incur any debt, unless the net revenues of the Project Implementing Entity for the fiscal year immediately preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be at least 1.2 times the estimated maximum debt service requirements of the Project Implementing Entity for any succeeding fiscal year on all debt of the Project Implementing Entity, including the debt to be incurred.

(b) For the purposes of this Section:

(i) The 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.

(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 adjusted to take account of the Project Implementing Entity's prices in effect at the time of the incurrence of debt even though they were not in effect during the twelve-month period to which such revenues relate 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) 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.

F. Safeguards

1. The Project Implementing Entity shall ensure that:

   (a) the Project is carried out with due regard to appropriate health, safety, social, and environmental practices and standards, and in accordance with the Safeguard Instruments;

   (b) for each Subproject under Part 2 of the Project for which the ESIA and/or the RPF provide for the preparation of a Subproject ESMP and/or a Subproject RAP:

      (i) proceed to have such Subproject ESMP and/or Subproject RAP as appropriate: (A) prepared and disclosed in accordance with the ESIA and the RPF, respectively; (B) consulted upon adequately with people affected by the Project as per the ESIA and the RPF, respectively, and submitted to the Association for review and approval; and (C) thereafter adopted, prior to implementation of the Subproject; and

      (ii) take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such Subproject ESMP, and/or Subproject RAP in a manner satisfactory to the Association; and

   (c) all measures are taken to implement the Subproject RAPs in a manner and timeframe satisfactory to the Association. To this end, the Project Implementing Entity shall ensure that:
(i) funds are made available to cover all the costs of implementing the Subproject RAPs;

(ii) prior to carrying out activities which involve displacement, Affected Persons shall be compensated at full replacement cost, resettled and provided with assistance in accordance with the Subproject RAPs, as applicable; and

(iii) the implementation, monitoring and evaluation of such Subproject RAPs is completed and reported in a manner satisfactory to the Association.

2. The Project Implementing Entity shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, and subcontractors and supervising entities to: (a) comply with the relevant aspects of Safeguard Instruments; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures on environmental, social, health and safety, gender-based violence and violence against children; all as applicable to such civil works commissioned or carried out pursuant to said contracts.

3. The Project Implementing Entity shall ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Project, the application of whose results could have environmental, social and health, and safety implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association; and (b) such terms of reference shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable Bank Safeguard Policies and EHS Guidelines.

4. Except as the Association shall otherwise agree in writing, the Project Implementing Entity shall ensure that none of the provisions of the Safeguard Instruments be abrogated, amended, repealed, suspended or waived. In case of any inconsistencies between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

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 the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Association.
G. Anti-Corruption

The Project Implementing Entity shall ensure that 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 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 quarter, and shall be furnished to the Recipient not later than one 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.