TTG Co-financing Project Agreement

(Energy Loss Reduction Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as administrator of grant funds provided by the Swiss Confederation)

and

Tajiktransgaz

Dated October 19, 2011
PROJECT AGREEMENT

Agreement dated October 19, 2011, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank") and TAJIKTRANSGAZ ("TTG") ("TTG Co-financing Project Agreement") in connection with the SECO Co-financing Agreement ("SECO Co-financing Agreement") of same date between the REPUBLIC OF TAJIKISTAN ("Recipient) and the World Bank.

WHEREAS (A) by a Development Financing Agreement for the Energy Loss Reduction Project, dated September 8, 2005, between the Republic of Tajikistan and the International Development Association, as amended ("the Development Financing Agreement"), the International Development Association agreed to make available to the Republic of Tajikistan an amount in various currencies equivalent to five million one hundred thousand Special Drawing Rights (SDR 5,100,000), on the terms and conditions set forth in the Development Financing Agreement, but only on conditions that TTG agree to undertake such obligations toward the International Development Association as are set forth in that Agreement;

(B) the Recipient intends to receive from the Swiss Government’s Secretariat for Economic Affairs a grant in the amount not to exceed four million seventeen thousand and nine hundred seventy three United States Dollar and fifty four cents (US$4,017,973.54) to assist in financing the Energy Loss Reduction Project ("SECO Co-financing Grant") on the terms and conditions as set forth in an agreement between the Recipient and the World Bank, acting as administrator of the grant funds provided by SECO (the SECO Co-financing Agreement) and dated the same date as this Agreement, but only on conditions that TTG agree to undertake such obligations toward the World Bank as are set forth in that Agreement; and

(C) by a Subsidiary (SECO) Loan Agreement entered into between the Recipient and TTG, dated December 6, 2005, to be amended pursuant to Section 5.01 (b) of the SECO Co-financing Agreement, the proceeds of the credit and grant provided for under the Development Financing Agreement, as amended, and the proceeds of the SECO Co-financing Grant provided under the SECO Co-financing Agreement, will be made available to TTG on the terms and conditions set forth in said Subsidiary (SECO) Loan Agreement, as satisfactory to the World Bank.

WHEREAS TTG, in consideration of the World Bank’s entering into the SECO Co-financing Agreement with the Recipient, has agreed to undertake the obligations set forth in this Agreement.
NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I — STANDARD CONDITIONS; DEFINITIONS

1.01. The Standard Conditions (as defined in Section 1.01 of the SECO Co-financing Agreement) constitute an integral 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 preamble to this agreement, the SECO Co-financing Agreement or the Standard Conditions.

ARTICLE II — PROJECT

2.01. TTG declares its commitment to the objectives of the Project as set forth in the Schedule to this Agreement. To this end, TTG shall carry out Parts B and C.3 of the Project in accordance with the Schedule to this Agreement, the provisions of Article II of the Standard Conditions and 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 (“Anti-Corruption Guidelines”), with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and TTG shall otherwise agree, TTG shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III

REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity’s Representative is the Chairman of Tajiktransgaz.

3.02. The World Bank’s Address is:

International Development Association
1818 H Street, N.W.
3.03. TTG’s Address is:

6, Rudaki Ave.
Dushanbe
Republic of Tajikistan

Facsimile:
992 372 21 66 68

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

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as administrator of grant funds provided by the
Swiss Confederation)

By: /s/ Motoo Konishi
Authorized Representative

TAJIKTRANSGAZ

By: /s/ Saidmamad Sharofidinov
Authorized Representative
SCHEDULE

Execution of TTG’s Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

TTG shall carry out its respective part of the Project in accordance with the following institutional arrangements:

1. To facilitate the carrying out and financing of Parts B and C.3 of the Project, TTG shall enter into a subsidiary (SECO) loan agreement with the Recipient pursuant to which the Recipient shall make part of the proceeds of the SECO Co-financing Grant available to TTG (“TTG Subsidiary (SECO) Loan Agreement”), under terms and conditions approved by the World Bank, which shall include the following:

   (a) the Recipient shall on-lend to TTG an amount equivalent to eight hundred sixty seven thousand and nine hundred seventy three United States Dollars and fifty four cents (US$867,973.54) of the amount of the SECO Co-financing Grant allocated to Category 2 in the table Section 3.01 of the SECO Co-financing Grant Agreement; and

   (b) the principal terms and conditions of the TTG Subsidiary (SECO) Loan Agreement shall be as follows: (i) the term of the Subsidiary (SECO) Loan shall be twenty (20) years including a grace period of five (5) years; (ii) interest on the amount of the TTG Subsidiary Loan withdrawn and outstanding from time to time from Category (2) shall be at a rate of six (6%) percent per annum; (iii) the Subsidiary (SECO) Loan shall be denominated in Dollars; and (iv) the principal amount of the Subsidiary (SECO) Loan repayable to the Recipient shall be the equivalent in Dollars of the amount of the Subsidiary (SECO) Loan withdrawn and outstanding and such equivalent to be expressed as of the date of the respective dates of withdrawal from the Grant on account of expenditures incurred by TTG.

2. TTG shall exercise its rights under the TTG Subsidiary (SECO) Loan Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the SECO Co-financing Grant. Except as the World Bank shall otherwise agree, TTG shall not assign, amend, abrogate or waive the TTG Subsidiary (SECO) Loan Agreement or any of its provisions.

3. TTG shall carry on its operations and conduct its affairs in accordance with sound administrative, engineering, financial and environmental practices under the
supervision of qualified and experienced management assisted by competent staff in adequate numbers.

4. TTG shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and technical practices.

B. Anti-Corruption

TTG shall ensure that its Respective Part 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

1. TTG 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 2.06 of the Standard Conditions and on the basis of the indicators agreed with the World Bank. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the World Bank of the overall Project Report.

2. TTG shall provide to the Recipient the support required to prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

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

2. TTG shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. TTG shall have its financial statements referred to above audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank. Each audit of these financial statements shall cover the period of one fiscal year of TTG. The audited financial statements for each period shall be furnished to the World Bank not later than six months after the end of the period.

4. Unless otherwise agreed with the World Bank, TTG shall:

(a) finance not less than thirty percent (30%) of its annual average capital investment program from its net revenues;

(b) ensure that all bill collections shall be in cash and such collections shall be deposited and held in a separate account in a commercial bank, to enable the monitoring of cash collections by the Recipient and the World Bank;

(c) ensure that the account receivables from its electricity customers, other than state owned enterprises and budgetary organizations, amount to no more than sixty (60) days’ average billing to such consumers;

(d) by or before November 30 of each year during the period of the Project, adopt an investment program for the ensuing year, satisfactory to the World Bank;

(e) by or before November 30 of each year during the period of the Project, submit to the World Bank for its review and concurrence, a five-year rolling forecast business plan for TTG integrating the operational, financial and investment program information; and

(f) For the purposes of this paragraph 3:

(i) The term “net revenues” means the difference between:

(A) the sum of revenues from all sources related to operations, after making adequate provisions for uncollectible debts; and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, debt service, and changes in working capital other than cash, but excluding provision for depreciation and other non-cash operating charges.

(ii) The term “debt service” means the aggregate amount of repayment (including sinking fund payments, if any) and interest
and other charges on debt, including lease payments under finance leases if any.

(iii) The term “debt” means any indebtedness of TTG maturing by its terms more than one year after the date on which it is originally incurred.

(iv) 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; (b) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into; and (c) financial liabilities incurred by TTG as a lessee under finance leasing agreements.

(v) The term “changes in working capital other than cash” means the difference between current assets other than cash that can be converted to cash within a twelve (12) month period and current liabilities that need to be settled in a twelve (12) month period.

(vi) Whenever for the purposes of this paragraph 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 World Bank.

(vii) The term “annual average capital investment program” means the average of capital expenditures program of TTG for the current year, the previous year and the immediate ensuing year.

(viii) The term “average billings” means the average of the bills sent out to the consumers from the beginning of the calendar year to the month preceding the current month.

Section III. Procurement

All goods, works and services required for TTG’s Respective Part of the Project and to be financed out of the proceeds of the SECO Co-Financing Grant shall be procured in accordance with the provisions of Section 2.14 of the Annex to the SECO Co-financing Agreement.