Project Agreement

(Modernization and Upgrade of Transmission Substations Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

UZBEKENERGO

Dated September 20, 2017
LOAN NUMBER 8664-UZ

PROJECT AGREEMENT

Agreement dated September 20, 2017, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and UZBEKENERGO ("Project Implementing Entity") ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between Republic of Uzbekistan ("Borrower") and the Bank. The Bank 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 Loan 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 Loan 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 the Project in accordance with the provisions of Article V 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 Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out 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 the Board.
3.02. The Bank’s Address is:

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

Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

3.03. The Project Implementing Entity’s Address is:

UZBEKENERGO
6, Istiklol, St.
Tashkent 100000
Republic of Uzbekistan

Telex: 116140
Facsimile: 998-71-236-27-00
AGREED at New York City, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By:

Authorized Representative

Name: LILIA BURUNCIUC

Title: COUNTRY DIRECTOR
EUROPE AND CENTRAL ASIA REGION

UZBEKENERGO

By:

Authorized Representative

Name: MUSTAFOEV ULMUGBEK

Title: CHAIRMAN OF THE BOARD
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall maintain during the entire Project implementation period, the Project Management Unit for the purposes of day-to-day Project management, monitoring and evaluation with functions, terms of reference and resources acceptable to the Bank.

2. The Project Implementing Entity shall: (i) prepare and adopt Project Operational Manual, satisfactory to the Bank, 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; (ii) to carry out the Project in accordance with the Project Operational Manual; and (iii) not amend, suspend, repeal or waive any of the provisions of the Project Operational Manual without the Bank’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. Anti-Corruption

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

C. Safeguards

1. The Project Implementing Entity shall implement the Project in accordance with the Environmental and Social Management Framework and, to that end, if any activity under the Project would require the adoption of an Environmental Management Plan shall:

   (a) (i) prepare such Environmental Management Plan in accordance with the ESMF; (ii) furnish such EMP to the Bank for review and approval; and (iii) thereafter adopt such EMP prior to implementation of the activity; and

   (b) thereafter take such measures as shall be necessary or appropriate to ensure full compliance with the requirements of such EMP.
2. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall regularly collect, compile and furnish to the Bank reports in form and substance satisfactory to the Bank on the status of compliance with the ESMF and EMPs, as part of the Project Reports, giving details of:

(a) measures taken in furtherance of the ESMF and EMPs;
(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESMF and EMPs; and
(c) remedial measures taken or required to be taken to address such conditions.

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 for the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators acceptable to the Bank. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Borrower not later one month after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

B. Financial Management, Financial Reports and Audits

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

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

3. (a) Except as the Bank shall otherwise agree, the Project Implementing Entity shall ensure that its estimated net revenues shall be at least equal to the
estimated maximum debt service requirements of the Project Implementing entity for any such fiscal year on all debt of the Project Implementing Entity.

(b) For the purposes of this paragraph:

(i) The term "debt" means any indebtedness of the Project Implementing Entity 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.

(c) 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 Bank.

Section III. **Procurement**

All goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.